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ABSTRACT

Beginning this annual report is a letter to OCLC members from OCLC President and Chief Executive Jay Jordan. The report contains the following sections: (1) program and financial highlights; (2) the year in review, including membership events, online services, strategic alliances, Forest Press, preservation resources, research, and the OCLC Institute; (3) "Celebrating 20 Years of Library Resource Sharing," a report on an essay contest to celebrate the 20th anniversary of the OCLC Interlibrary Loan service; (4) "It's a Great Time for Libraries!" including reports on the CORC (Cooperative Online Resource Catalog) project, statewide integrated services in Florida, innovations in cataloging, promoting global librarianship, transforming resource sharing, preservation resources, the OCLC Institute, the Dewey Decimal Classification System, and OCLC/WLN (Washington Library Network); (5) WorldCat; (6) photographs/listings of Board of Trustees, Executive Committee, OCLC Users Council, and advisory committee members; (7) a directory; and (8) financial report. (MES)

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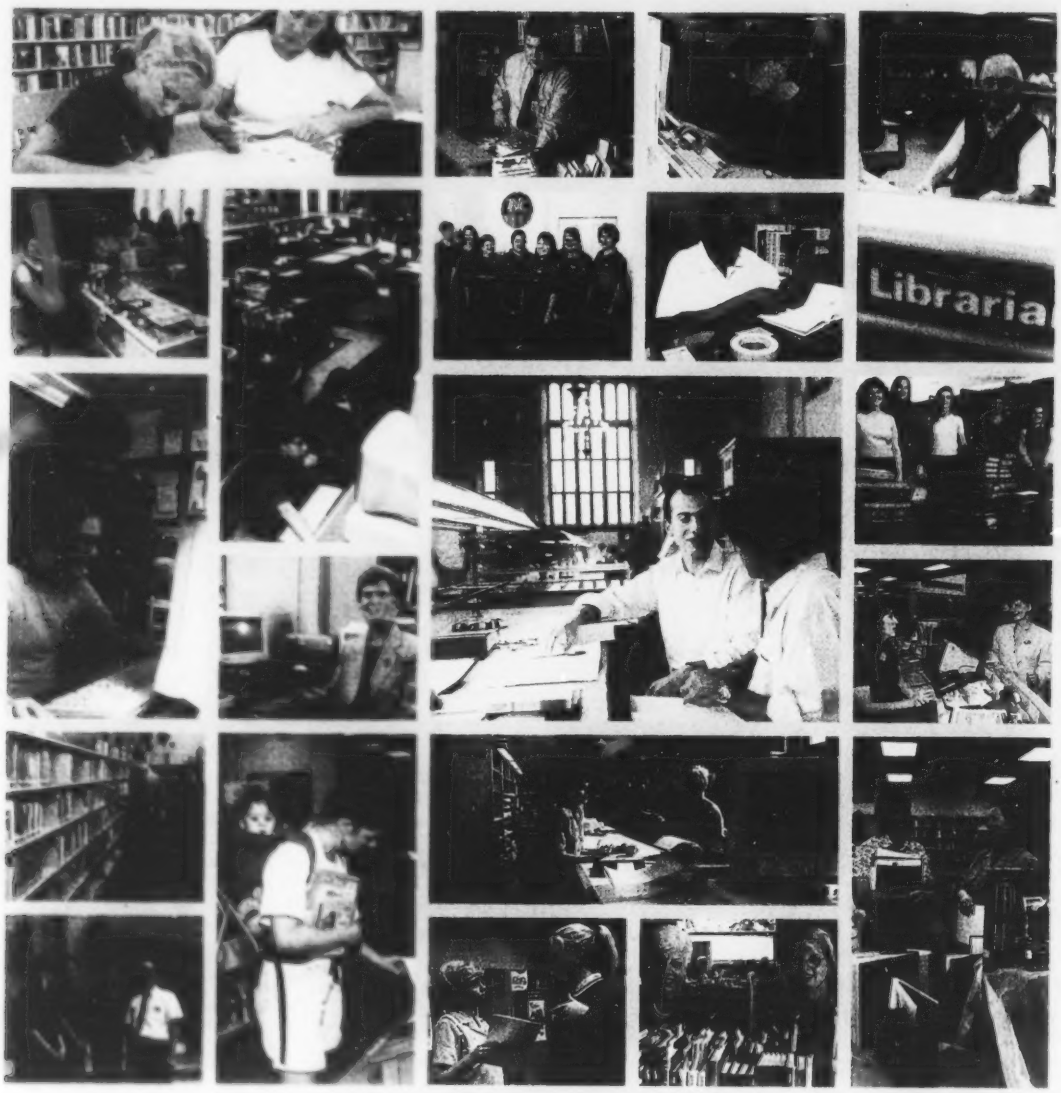
OCLC ANNUAL REPORT
1998/99

A great time for libraries!



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OCLC

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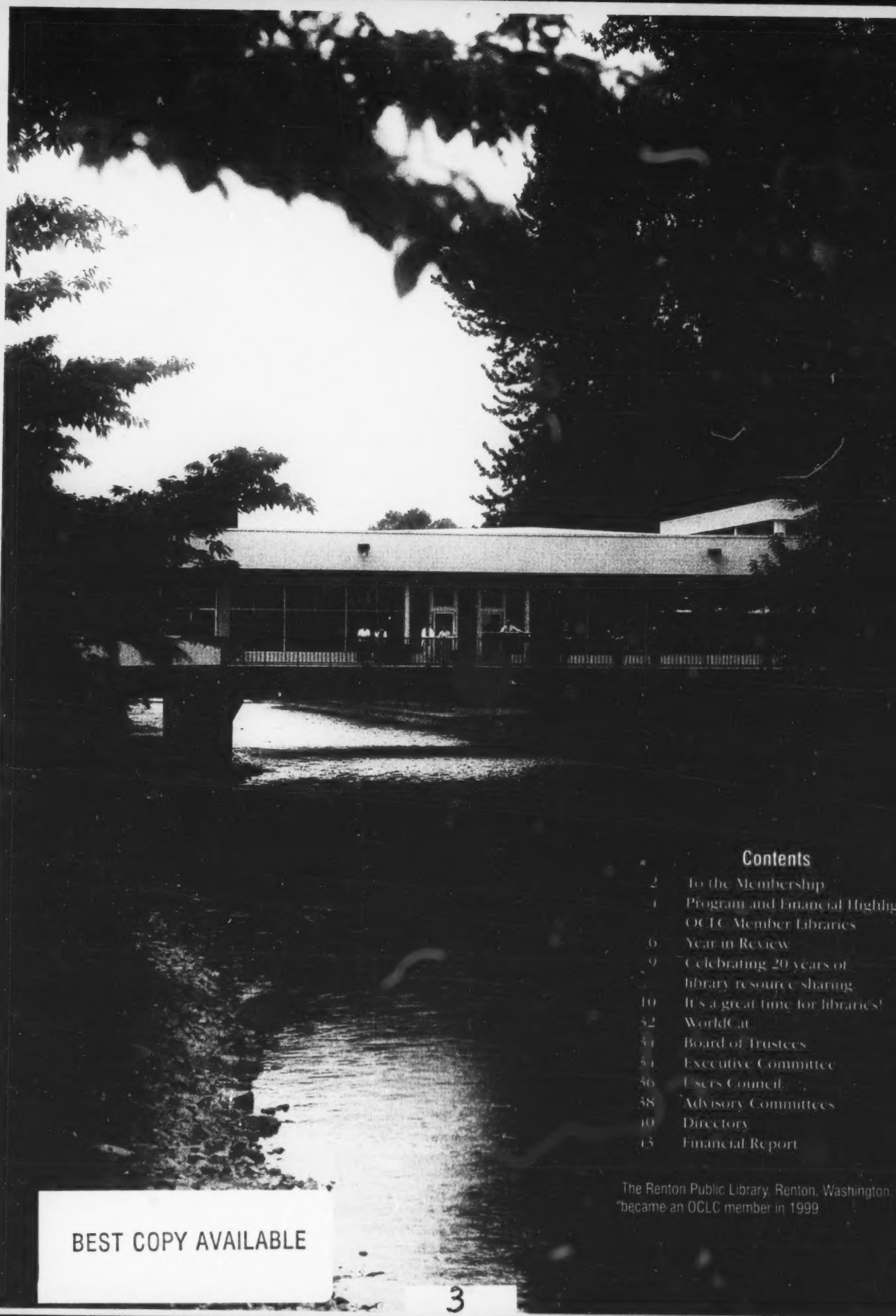

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The Renton Public Library, Renton, Washington
became an OCLC member in 1999

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OCLC Online Computer Library Center, Inc.

Founded in 1967, OCLC is a nonprofit, membership, computer library service and research organization dedicated to the public purposes of furthering access to the world's information and reducing library costs. More than 34,000 libraries in 67 countries and territories use OCLC services to locate, acquire, catalog, lend and preserve library materials. Researchers, students, faculty, scholars, professional librarians and other information seekers use OCLC services to obtain bibliographic, abstract and full-text information when and where they need it. OCLC and its member libraries cooperatively produce and maintain WorldCat (the OCLC Online Union Catalog), which is the most consulted electronic database in higher education.

OCLC Charter

The purpose or purposes for which this corporation is formed are to establish, maintain and operate a computerized library network and to promote the evolution of library use, of libraries themselves, and of librarianship, and to provide processes and products for the benefit of library users and libraries, including such objectives as increasing availability of library resources to individual library patrons and reducing rate of rise of library per-unit costs, all for the fundamental public purpose of furthering ease of access to and use of the ever-expanding body of worldwide scientific, literary and educational knowledge.

To the Membership

Having completed my first full year at OCLC, I can report that the entire OCLC team of 1,080 employees worldwide is fully engaged in many important projects that will add substantial value for libraries and their users. Some efforts entail preserving and enhancing traditional services, such as online cataloging and resource sharing. Other projects are focused on creating new opportunities through the application of new technology in combination with OCLC's core competencies. We have made significant progress toward our goal of providing integrated solutions for libraries worldwide.

At the Hong Kong University of Science & Technology with Min-min Chang, University Librarian (standing) and Ching-yen Daphne Chang, Cataloging Manager, Western Language Materials

Participation in OCLC has continued to increase. Approximately 1,300 new libraries joined, which is the highest number in a single year since the early rapid expansion of the network in the 1980s. The total number of libraries participating in OCLC went up by 4,621 to 34,775 in 67 countries.

In fiscal 1999, for the first time, the OCLC online system for cataloging and resource sharing handled more than 1 billion messages as libraries continued to increase their use of OCLC services. They cataloged 57.7 million items online and via batchload and added 2.2 million records to WorldCat, which on June 30, 1999, contained more than 39.7 million records and 720 million location listings.

Libraries conducted 8.2 million interlibrary loans online. Approximately 1,200 libraries used the OCLC ILL Fee Management service to exchange over $5.2 million in interlibrary loan fees, thereby avoiding processing expenses for about 458,000 invoices and a similar number of checks.

The OCLC FirstSearch service grew from 12,000 libraries to 15,000, and library users performed 61.9 million searches, an increase of 23 percent from the previous year. The number of e-journals provided by FirstSearch Electronic Collections Online nearly doubled, from 890 journals from 29 publishers to 1,761 from 48 publishers.

During the year, we introduced the Web-based OCLC Cataloging Express service (OCLC CatExpress), which is enabling school and public libraries with low volumes of cataloging to benefit from access to WorldCat and the OCLC global library network. Prior to launch, we conducted field tests with libraries in four states and modified the system based on their input. The service is being well received.

We enhanced the OCLC CJK library software and introduced new authority control options for libraries. We began a major project to convert to machine-readable form approximately 2 million catalog records for Yale University libraries.

At this writing, the 15,000 libraries that use FirstSearch were in the process of migrating to the new FirstSearch, which is a completely redesigned, Web-based online reference service. And, in fiscal 2000, for the first time, member libraries will receive a discount on their use charges for FirstSearch and Electronic Collections Online.

The OCLC Institute conducted 40 educational events for 1,114 people during the year. Since its founding in 1997, over 2,000 people have participated in 80 seminars and programs at OCLC in Dublin, Ohio, and in on-site programs in 14 OCLC-affiliated network regions as well as in England, Iceland, Latvia, Russia and Trinidad and Tobago.

The Office of Research launched one of its most ambitious projects to date—the Cooperative Online Resource Catalog (CORC), in which libraries are using automated tools to build a shared database of Internet resources. This database presents users with an integrated view of information objects and their descriptions and represents, we believe, a significant advance for libraries that wish to add electronic resources to their collections. At this writing, librarians in some 150 institutions in Australia, China, Germany, Singapore, Switzerland, Taiwan, the United Kingdom and the United States are participating in this collaborative effort.

We entered into three important strategic alliances that will add significant value to OCLC membership—WLN, PAIS and Pica.

Our merger with WLN to form the OCLC/WLN Pacific Northwest Service Center is providing new opportunities and synergies for the entire OCLC membership. We have matched some 4.2 million bibliographic records and added 17.4 million location listings from WLN libraries into WorldCat, and 176 libraries have migrated to the OCLC Cataloging service. We have integrated WLN services, such as authority control and collection development, into OCLC's offerings. I would like to thank Paul McCarthy, Executive Director of OCLC/WLN, Don Muccino, Executive Vice President and Chief Operating Officer of OCLC, and the staffs of both WLN and OCLC for making this merger work to the benefit of our combined memberships.

At this writing, our merger with PAIS, Public Affairs Information Service, awaited final approval by the Board of Regents of the University of the State of New York. This alliance will provide libraries with low-cost access to global content in the humanities, which our members have requested.

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OCLC was in final negotiations with Pica Foundation, a nonprofit organization based in Leiden, the Netherlands, to acquire an equity interest in Pica B.V., which provides cataloging, interlibrary loan, local systems and end-user services to libraries in the Netherlands, France and Germany. Our alliance with Pica will enrich WorldCat and ultimately benefit libraries throughout our global community. All of these alliances are consistent with OCLC's public purposes and will lead to new or better services, to new markets or to lower costs for member libraries.

Approximately 5,000 libraries in 66 countries outside the U.S. are now participating in OCLC. Some 400 libraries in South Africa are becoming OCLC participants through SABINET Online. An accord signed this year with the National Library of Australia is enabling Australian libraries to become OCLC members. We introduced French and Spanish interfaces for FirstSearch. In the coming year, we will be working on an Arabic cataloging project with universities from Saudi Arabia, Kuwait and the United Arab Emirates as well as U.S institutions.

helping libraries serve people by providing economical access to knowledge through innovation and collaboration."

As a high-tech, global organization, OCLC must recruit and retain staff at the same time that it seeks to nurture an international outlook among employees who must serve libraries worldwide. Due to the worldwide shortage of information technology workers, OCLC has implemented new, more competitive salary and benefits packages to recruit and retain qualified technical staff. OCLC's turnover rate of 6.5 percent in technical fields compares favorably to the U.S. national average of 20 percent. We have also implemented continuing education programs for staff on doing business internationally.

In fiscal 1999, revenues were $146.1 million and contribution to equity was $7.3 million, or 5 percent of revenue. Revenues in cataloging, resource sharing and reference went up as libraries increased their use of these services. Telecommunications access revenues declined 18 percent from the previous year, reflecting the successful migration of libraries to new, lower-cost Internet and other telecommunications options. The reduction in telecommunications costs is in keeping with OCLC's chartered objective of reducing the rise of library costs.

We made significant additions to our technological infrastructure. We increased our Internet capacity from 84 T-1 lines to 336 and added new, streamlined access options for libraries outside the U.S. We upgraded hardware for our systems in cataloging, resource sharing and reference. We successfully installed disaster-recovery procedures at a computer center hotsite so that we would be able to recover our data center platforms should a catastrophic event occur at our computer facility in Dublin, Ohio. We completed Y2K system changes on schedule and, at this writing, were performing final testing of systems.

As part of an ongoing strategic planning process, management reviewed with the Board of Trustees updated business plans, focusing on both short- and long-term strategies. We reaffirmed our commitment to the basic principles set forth in OCLC's charter and articulated a vision of how OCLC will pursue its public purposes over the next decade. This vision, stated simply, is as follows: "OCLC will be the leading global library cooperative, helping libraries serve people by providing economical access to knowledge through innovation and collaboration."

Both CORC and OCLC CatExpress are examples of how OCLC is attempting to translate that vision into value. We are delivering new, integrated services more rapidly than ever before. We are doing this because we have to. Constant technological change, the phenomenal growth of the Internet, and the emergence of e-commerce are putting new pressures on libraries. OCLC is uniquely positioned to help member libraries withstand these pressures and thrive in the digital age. The fact that we are constantly challenged to allocate our precious human resources correctly clearly indicates that there are numerous opportunities to fulfill our public purposes of increasing access to information while reducing library costs. We will continue to focus on making libraries the portal of choice for knowledge seekers.

I would like to thank the Board of Trustees, Users Council, U.S. regional networks, international distributors and libraries for the support and kindness they have shown me during my first year at OCLC. As part of a sustained effort to be out and about in the OCLC community, I visited all 16 U.S. regional networks and met with thousands of librarians in North America, Asia and Europe. From these travels and meetings, I have drawn two conclusions. First, the diverse community of libraries that make up the OCLC network is committed to the goal of providing information to people when and where they need it in a cost-effective manner. And second, if we optimize the power of collaboration, this will indeed be a great time for libraries.

We will work diligently in 2000 to continue to add value to your OCLC membership.

Jay Jordan
President and Chief Executive Officer
October 29, 1999

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Highlights

Program	1998/99	1997/98
Participating libraries (libraries that use OCLC Cataloging, Resource Sharing and Reference Services)	**34,775**	30,154
Average Cataloging and Resource Sharing transactions per day for online hours, Monday–Friday, excluding holidays	**3.4 million**	3.3 million
Average Cataloging and Resource Sharing transactions per second for peak online hours, Monday–Friday, excluding holidays	**84.21**	81.07
Total Cataloging and Resource Sharing messages processed	**1.003 billion**	943.3 million
Total number of records in WorldCat (the OCLC Online Union Catalog)	**39.7 million**	37.5 million
Books and other materials cataloged online	**23.1 million**	22.4 million
Books and other materials cataloged by batchloading processes*	**34.6 million**	14.7 million
Cataloging records added to WorldCat**	**2.2 million**	2.1 million
Duplicate records removed from WorldCat through the Duplicate Detection and Resolution Program	**47,074**	50,777
Catalog records generated on computer tape or by FTP for subscribers	**19.9 million**	20.8 million
Number of records exported online from WorldCat to local systems	**28.5 million**	27.0 million
Custom-printed catalog cards ordered	**12.3 million**	15.3 million
Location listings in WorldCat for library materials	**720 million**	668 million
Serials Union List volume-specific holdings (LDR)	**8.2 million**	8.1 million
Online interlibrary loans transacted	**8.2 million**	8.2 million
OCLC ILL Fee Management service participants	**1,228**	1,070
Resource Sharing Groups supported	**209 groups** **15,869 libraries**	203 groups 15,508 libraries
OCLC CatCD for Windows database subscriptions	**470**	572
OCLC RetroCon services projects under way	**307**	329
OCLC Authority Control services	**116 libraries** **6,136,794 records**	26 libraries 3,197,269 records
OCLC TechPro service cataloging	**204,250 titles** **157 institutions**	162,987 titles 191 institutions
OCLC FirstSearch authorizations	**30,351**	23,379
OCLC FirstSearch searches	**61.9 million**	50.4 million
OCLC FirstSearch Electronic Collections Online	**1,761 journals** **48 publishers**	890 journals 29 publishers
OCLC SiteSearch suite licensees	**96**	92
Dewey Decimal Classification and Relative Index, edition 21—copies sold (published July 1996)	**2,135**	3,128
Abridged Dewey Decimal Classification and Relative Index, edition 13—copies sold (published July 1997)	**4,425**	6,823
Dewey for Windows software—copies sold	**540**	675

*Volume varies annually as OCLC loads backfiles for new member libraries.

**While 2,193,005 new bibliographic records were added to WorldCat, the net growth of the database was 2,145,931 records because the Duplicate Detection and Resolution program identified and merged 47,074 duplicate records.

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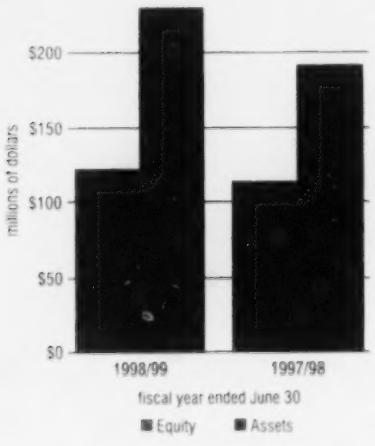
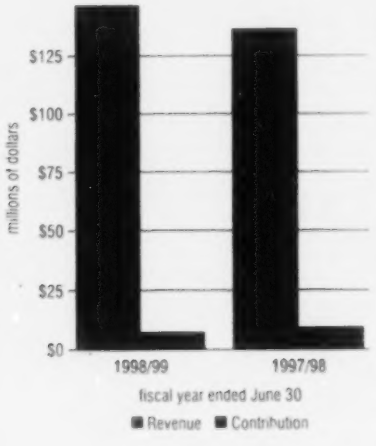
Financial

	1998/99	1997/98
Revenues	$146,128,800	$136,217,100
Member Participation Credits	$ (5,640,800)	$ (5,278,000)
Net revenues	$140,488,000	$130,939,100
Contribution to corporate equity	$ 7,308,400	$ 9,406,300
Total corporate equity/net worth	$122,317,700	$114,461,100
Total assets	$229,813,100	$192,215,700

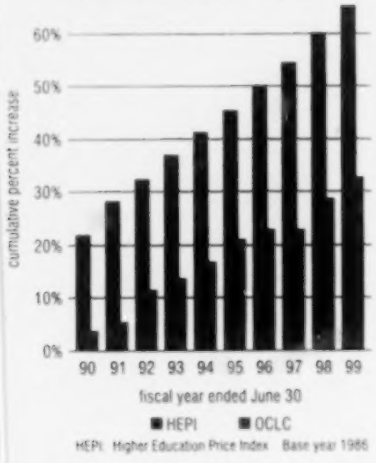
Equity & Assets



Revenue & Contribution



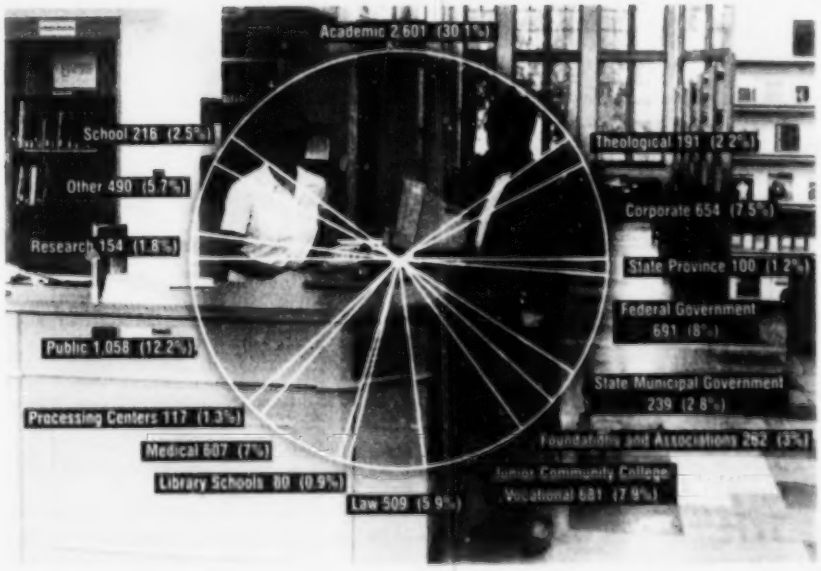
Percent Change in HEPI and OCLC Prices



OCLC Member Libraries

General members do all their current cataloging online or supply current cataloging information to OCLC by computer tape or file. These general members participate in OCLC's governance by electing delegates to the Users Council.

Total Members: 8,650



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Year in Review

Membership Events

- The library system of the Universidade Estadual Paulista, São Paulo, Brazil, becomes the second OCLC member in Brazil. (July 1998)

- The Baltimore County Public Library, Baltimore, Maryland, first among major U.S. public libraries for circulation per resident, becomes an OCLC member library. (August 1998)

- Bibliotekstjänst, OCLC's distributor in Sweden, and the OCLC TechPro service begin work to restore the catalog of rare materials from the main public library of Linköping, Sweden, which burned to the ground in 1996. (November 1998)

- The National Library of China, the largest library in Asia and the fifth largest library in the world in terms of size of its collection, becomes an OCLC member to do its current cataloging online with OCLC and to participate in the OCLC Interlibrary Loan service. (December 1998)

- The Hennepin County Library, Minnetonka, Minnesota, known for its commitment to advancement in the field of subject headings, becomes an OCLC member. (March 1999)

- Through an agreement reached with the Illinois State Library, more than 1,000 small Illinois libraries will become OCLC members, adding approximately 25 million new holdings to WorldCat and facilitating resource sharing among all Illinois libraries. (March 1999)

- The Bibliotheque nationale du Quebec, Montreal, Canada, becomes an OCLC member to contribute its cataloging to WorldCat. (March 1999)

- Library leaders from 120 research universities and institutions in 23 countries meet at OCLC for the 17th Annual International Conference of Research Library Directors. (March 1999)

- The OCLC Users Council unanimously adopts a resolution, "Shared Commitments to the OCLC WorldCat Principles of Cooperation," that reaffirms the commitment of OCLC, the networks, and member libraries to cooperation and shared responsibility for building access and content for digital libraries. (May 1999)

- Nine hundred directors of OCLC member libraries and other OCLC community leaders attend the OCLC President's Luncheon during the American Library Association Annual Conference to celebrate the 20th anniversary of the OCLC Interlibrary Loan service. (June 1999)

Online Services

- OCLC expands Internet capacity to the equivalent of more than 300 T-1 lines.

- Over 1,200 libraries use the OCLC ILL Fee Management service to reconcile more than 450,000 ILL transactions, saving libraries approximately $15 million in administrative costs.

- Twenty publishers of over 800 journals start participating in OCLC FirstSearch Electronic Collections Online, bringing the total number of publishers and titles to 48 and 1,761, respectively.

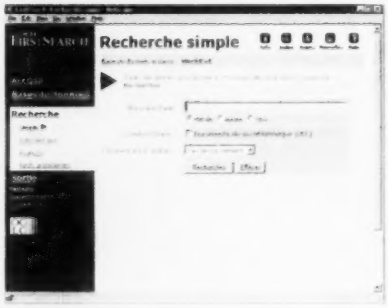
- OCLC receives ISO 9001 registration for Design and Development of Automated Library Services, Databases and Telecommunications Facilities with provisions for User Documentation and Technical Support. (August 1998)

- OCLC's new Journal Licensing Program offers integrated services for electronic subscriptions, access and archiving of titles available through OCLC FirstSearch Electronic Collections Online. (August 1998)

- Eighteen years of the Facts on File World News Digest becomes available on the OCLC FirstSearch service. (August 1998)

- The Combined Higher Education Software Team (CHEST) begins offering new OCLC FirstSearch service packages to the United Kingdom higher education community under a five-year agreement with OCLC. (September 1998)

- OCLC releases French and Spanish language interfaces for the OCLC FirstSearch service. (September 1998)



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- Virtual Academic Library Environment (VALE) and OCLC provide public and independent colleges and universities across New Jersey with seamless access to shared electronic information resources using the OCLC SiteSearch suite of software. (November 1998)

- OCLC CJK 3.0 software, an enhanced version of software that supports cataloging in Chinese, Japanese and Korean scripts, becomes available. (January 1999)

- OCLC releases a new version of the OCLC Cataloging Micro Enhancer for Windows software, version 1.10. (January 1999)

- The British Library Document Supply Centre Urgent Action Service becomes available to OCLC Interlibrary Loan service users. With this service, requests for documents are processed within three hours of receipt through the OCLC ILL service. (January 1999)

- OCLC participates in the College of DuPage "Periodical Database Teleconference: A National Forum," to discuss search engines, areas of coverage, costs, title selection, connections to other software, archival issues and full-text/image options. (February 1999)

- OCLC starts providing Internet services to libraries in 14 countries through Digital Island, a global applications network. Digital Island bypasses the domestic and international Internet infrastructure and replaces it with a managed service directly from OCLC to key networks and Internet service providers in served countries. (February 1999)

- The OCLC RetroCon service starts converting approximately 2 million catalog records into machine-readable form for the Yale University libraries. (April 1999)

- To expand authority control options for libraries, OCLC combines the OCLC Authority Control service and the WLN MARC Record Service under the new OCLC Authority Control suite of services. (May 1999)

- OCLC releases an enhanced version of the Cataloging Label Program, version 1.20. (June 1999)

Strategic Alliances

- SABINET Online, an OCLC distributor in South Africa, and OCLC announce plans for the 400-plus libraries of SABINET Online to migrate to the OCLC Cataloging service. (August 1998)

- Jean Touzot Libraire Editeur, a general agent for French language materials located in Paris, France, starts contributing bibliographic records to WorldCat. (September 1998)

- OCLC and WLN merge. WLN users begin migrating to OCLC cataloging and resource sharing services, and the WLN Union Catalog is merged with WorldCat. WLN full member libraries become OCLC general members. (January 1999)

- The National Library of Australia and OCLC reach an accord that enables the 1,300 Australian libraries that use the National Library's new Kinetica resource sharing service to become full or partial OCLC members. (February 1999)

- OCLC and PAIS, Public Affairs Information Service, sign a letter of intent that could lead to the merger of PAIS and OCLC. PAIS, a non-profit corporation with offices in New York City, publishes the PAIS International database, which contains over 450,000 records of abstracted and indexed literature from over 120 countries. (February 1999)

PAIS

- Records from HARRASSOWITZ, a bookseller and subscription agent based in Wiesbaden, Germany, are added to WorldCat. (March 1999)

- OCLC and Pica Foundation sign a letter of intent that could lead to the establishment of a jointly owned organization to better serve the European library community. (April 1999)

Pica

Library Automation & Online Services

Year in Review

Forest Press

A new and updated edition of *Subject Headings for Children*, edited by Lois Winkel, becomes available. (December 1998)

Joan Mitchell, chief editor of the Dewey Decimal Classification since 1993, succeeds Peter Paulson as executive director and editor-in-chief of OCLC Forest Press. The Forest Press office relocates from Albany, New York, to OCLC's headquarters in Dublin, Ohio. (January 1999)

Version 1.20 of the *Dewey for Windows* software becomes available. (February 1999)

A new publication, *Table 2. Geographic Areas: Great Britain and Republic of South Africa*, becomes available. (April 1999)

Preservation Resources

Preservation Resources and the University of Pennsylvania sign a contract for the microfilming of the trial exhibits in Honeywell vs. Sperry Rand, a landmark case that sought to determine who owned patent rights to the world's first computer. (July 1998)

Digitizing of more than 425,000 images for the Early Canadian Online Project/Notre Mémoire en Ligne project is complete. (January 1999)

Twenty-two participants from the Preservation Management Institute attend a one-day workshop on microfilm and scanning technology hosted by Preservation Resources. (March 1999)

Preservation Resources films its 44 millionth frame and digitizes its 2 millionth image from microfilm. (June 1999)

Digitized images of the George Washington Presidential Papers are delivered to the Library of Congress National Digital Library Program by Preservation Resources. (June 1999)

Research

The OCLC Office of Research awards Library and Information Science Research Grants to university researchers at the University at Buffalo-State University of New York, Dalhousie University, Halifax, Nova Scotia, Canada, and Kent State University, Kent, Ohio. (July 1998)

OCLC launches a new Web site devoted to the Web Characterization Project, an ongoing study by the OCLC Office of Research to identify, measure, and evaluate the characteristics of Web-accessible information. (September 1998)

With support from the National Science Foundation and the Coalition for Networked Information, the OCLC Office of Research and the Library of Congress host The Sixth Dublin Core Metadata Workshop in Washington, D.C. (November 1998)

Ninety people representing more than 50 institutions from five countries participate in OCLC's Cooperative Online Resource Catalog (CORC) research project meeting in Dublin. (April 1999)

OCLC Institute

The OCLC Institute conducts 40 seminars for 1,114 people, including four on-site seminars, one in Trinidad and Tobago.

The OCLC Institute guides 41 librarians from 18 countries in a highly interactive critical analysis of the foundations of global cooperative librarianship during a workshop in Dublin, Ohio. (March 1999)

Celebrating 20 years of **library resource sharing**

1999 marked the 20th anniversary of the OCLC Interlibrary Loan service. Since the OCLC ILL service began operation in 1979, libraries and OCLC have built it into one of the world's foremost interlibrary loan networks. More than 6,000 libraries have used the OCLC ILL service to arrange 92 million interlibrary loans. The 100 millionth online ILL request is expected in the year 2000.

As part of a year-long tribute to this online service, OCLC and its U.S. regional network affiliates and international distributors sponsored an essay contest on the topic, "What the OCLC Interlibrary Loan Service Means to Me." The contest attracted more than 300 entries from librarians, students, teachers, professors and free-lance writers in five countries. The Grand Prize winner was honored at the OCLC President's Luncheon during the American Library Association Annual Conference, and an issue of the *OCLC Newsletter* reprinted the essays of the award winners. Here are excerpts from several of the 300 entries.

Grand Prize Winner

Barbi G. Lehn
Sinte Gleska University, Mission, South Dakota

Prize Winners

Voit Gilmore
Moore County Library, Pinehurst, North Carolina

Gretchen Hamlett
Delta Public Library, Delta, Colorado

Marc A. Olshan
Alfred University, Alfred, New York

Jemima Perry
City of Calabasas Library, Calabasas, California

"It seems that OCLC is continually enhancing the functionality of this system, making it easier to find and request materials for our patrons. And with the connection to FirstSearch, patrons can now use the system themselves, thus achieving the ultimate goal of any library system—invisibility!"

Susan Dayall, Hampshire College, Amherst, Massachusetts

"Our library looks better in the eyes of our patrons, a wide range of materials is available to everyone and the connection and outreach to others exhibits a united philosophy of library service to all within the library community."

Virginia Ruzicka, Charles City Public Library, Charles City, Iowa

"Information becomes more easily managed with OCLC interlibrary loan as a portal to the world of science and learning."

Patricia L. Gitomer, Fonar Corporation, Albany, New York

"OCLC ILL represents for me, an integration and standard of all human wishes to get the right information at the right time."

Luiz Eduardo Ribeiro, Belo Horizonte, Minas Gerais, Brazil

It's a great time for libraries!

Libraries will be key players as they bring their skills to bear in collecting, organizing, accessing and preserving information in the digital age. OCLC is helping libraries serve people by providing economical access to knowledge through innovation and collaboration.

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30 OCLC/WLN

A cross-functional team of librarians at Cornell University is gaining new insights and skills using CORC to catalog Web resources. From left, beginning at the top, Jill Powell, Reference Librarian; Don Schnedeker, Management Librarian; Karen Calhoun, Project Manager; Martha Hsu, Bibliographer; Yumin Jiang, Cataloger; Pam Stansbury, Cataloger.

CORC: Bringing librarianship to the Web

Libraries and OCLC are bringing order to the Internet using the principles of librarianship—selection, description, classification. More than 150 member libraries from all over the world are involved with OCLC in an ambitious research project: the Cooperative Online Resource Catalog (CORC).

Reference librarians and staff at Cornell University's Engineering Library identified 300 engineering-related Web sites from its Internet Connections for Engineering (ICE) Project for the CORC database.

Using automated tools developed by OCLC researchers, CORC extends the shared WorldCat cataloging model to the electronic resources of the World Wide Web to build an easily accessible database of Web resources.

At Cornell University, Ithaca, New York, a cross-functional team that leverages the skills of librarians from collection development, cataloging and public services is gaining new insights and skills using CORC to experiment with new techniques and innovative, streamlined workflows. Selectors identify and draft Dublin Core records, reference librarians create Pathfinders, and catalogers convert Dublin Core records to MARC for loading onto the Cornell Gateway and online public access catalog.

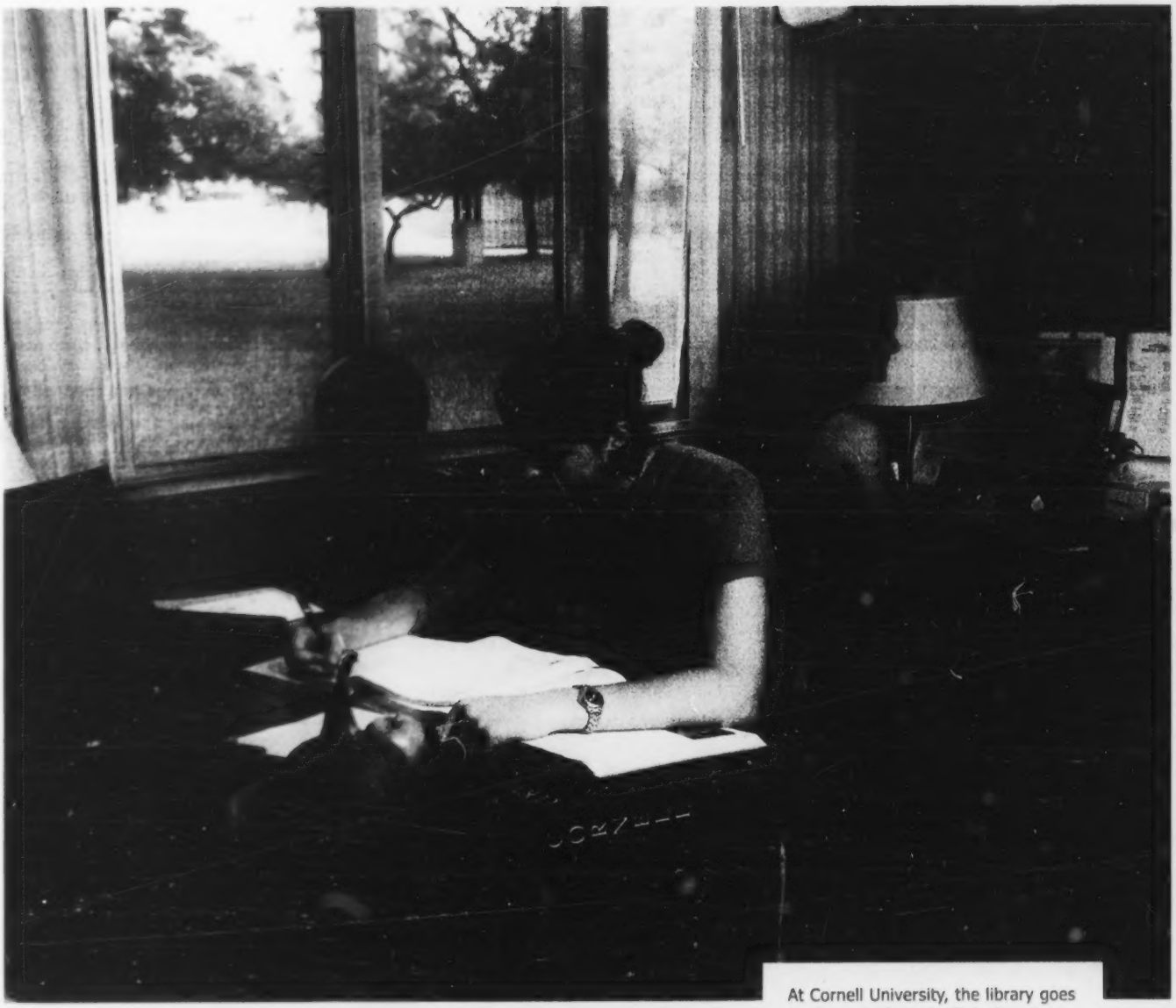
"CORC has the potential to provide the library profession with a leading role in the digital age," says Karen Calhoun, Head, Cataloging, Central Technical Services and the CORC Project Manager. "It is a fresh approach to organizing the Internet that saves libraries time while providing intellectual access to high quality materials."

Duncan Irvine, Head, Bibliographic Control Division, University of Strathclyde, Glasgow, Scotland, believes that libraries must accept the Internet as a knowledge medium and provide effective bibliographic control of the Web.

"CORC has the potential to provide the library profession with a leading role in the digital age."

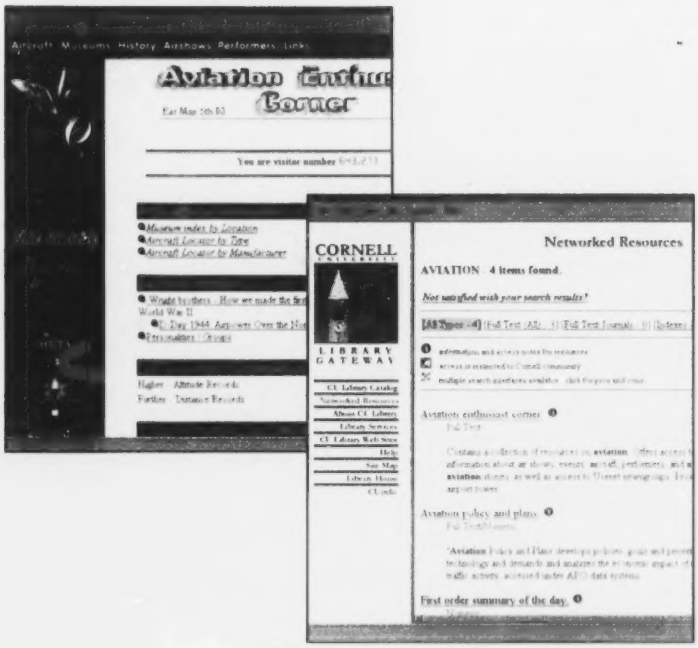
—Karen Calhoun, Head, Cataloging, Central Technical Services

"If the Internet is going to be approached economically, it has to be on a shared international basis using a sound technological base," he says. "CORC can be one of the most significant developments in modern librarianship this century."



At Cornell University, the library goes to these students in their dormitory room, where they can use CORC records via the library's catalog or gateway for networked resources.

Washtenaw Community College library, Ann Arbor, Michigan, is using Dublin Core via a graphical interface to catalog Web resources, a potential alternative to the MARC-based resource description model for nonlibrary catalogers. "We see in CORC the seedling of a WorldCat for the 21st century," says Victor Liu, Coordinator, Technical Services.

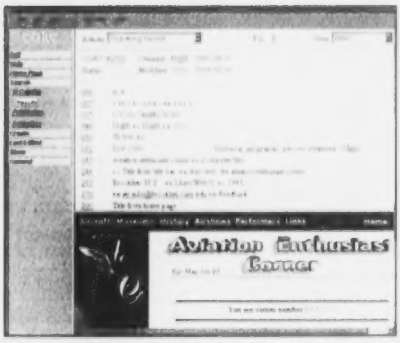


At Dickinson College, Carlisle, Pennsylvania, the implications of what a system like CORC could mean for them and the library world inspired library staff.

"There are very few libraries that are not struggling with issues related to management of Web information, from fixing broken links to patrons' reliance on untrustworthy Web resources," says Kristin Senecal, Head of Technical Services. "In CORC, we saw, and still see, the promise that there may be a way for libraries, working cooperatively through OCLC, to get control of some of the Web information problems."

"There are very few libraries that are not struggling with issues related to management of Web information..."

—Kristin Senecal, Head of Technical Services



CORC enables libraries to integrate Web resources into their collection and existing Web services. Librarians at Cornell University modified and enriched a record for the Web site Aviation Enthusiast Corner using the CORC system. They transferred a copy of the record to their online catalog and library gateway for networked resources.

For many years, the St. Joseph County Public Library, South Bend, Indiana, has provided an Internet hotlist for the public as part of its ongoing collection development duties. A shared system, such as CORC, that helps with link selection and provides fuller records for their catalog would be much more comprehensive, says Linda Broyles, Networking Systems Coordinator. "The thought of cataloging the Internet to any degree is daunting, but we feel that this is a logical extension of OCLC's services, and that CORC will ultimately be successful."

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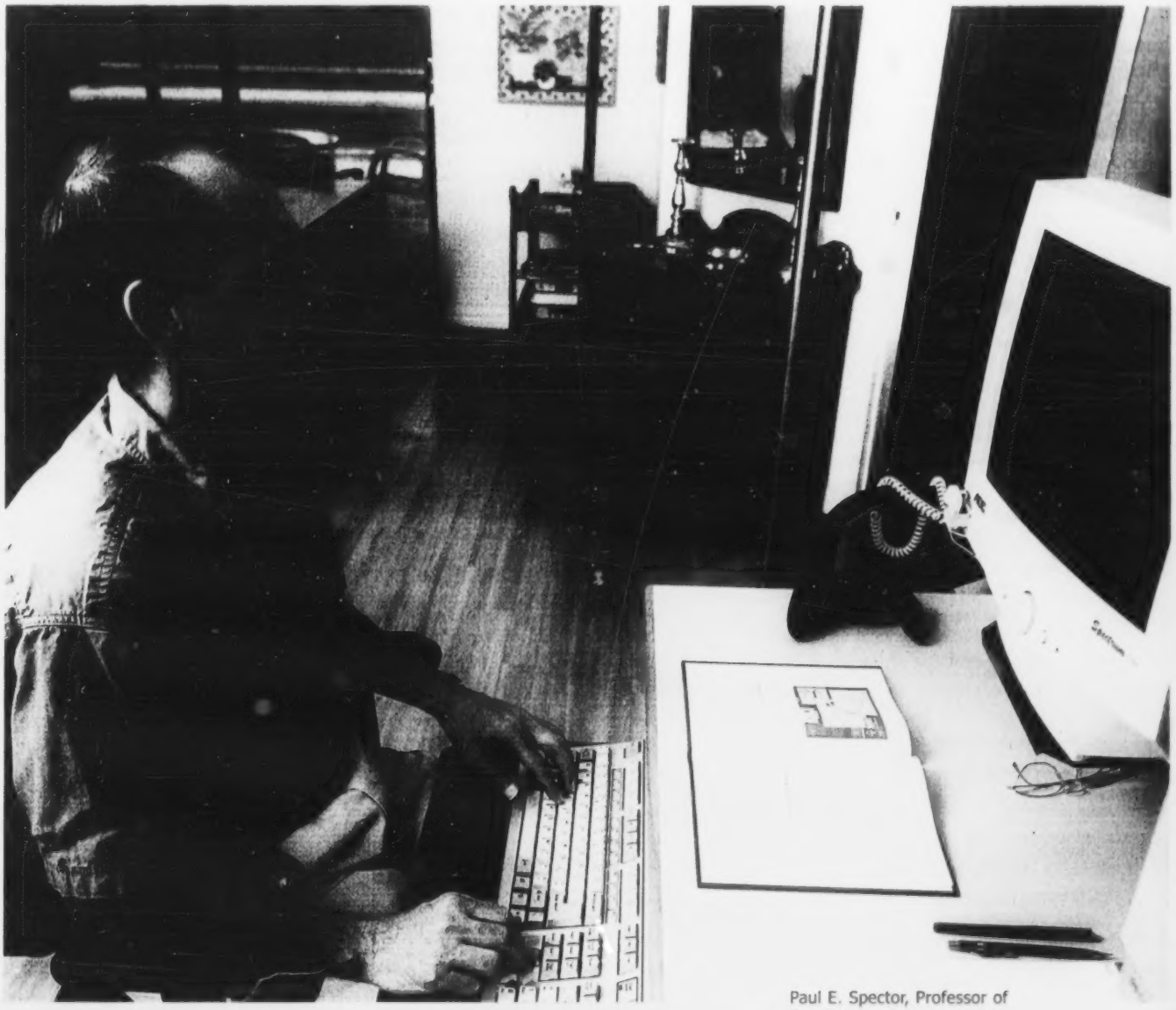


Paul E. Spector, Professor of Psychology, does most of his research from home using the University of South Florida's Virtual Library, which includes 65 OCLC FirstSearch databases and 700 e-journals from Electronic Collections Online. "No longer do I have to drive half an hour each way to pick up that one article I need for the paper I'm working on, only to find the journal is at the bindery or lost. I can log on and get an abstract, and increasingly the entire article. This saves a tremendous amount of time, as well as expands the number of journals I can access."

Florida libraries: **Satisfying users' information demands**

Florida's network of 400 libraries, which serves 15 million people, uses OCLC Reference, Cataloging and Interlibrary Loan services to provide the state's residents with seamless, equitable access to the world's information.

The combined collections of Florida libraries are merged electronically in WorldCat, which has served as the state's online union catalog since 1974, when academic and public libraries began using the OCLC Cataloging service. Today,

For 25 years, the Florida Division of Library and Information Services has played a leadership role in coordinating statewide library development using OCLC services. From left, Lorraine Summers, Assistant Director; Barratt Wilkins, Director; Debra Sears, Chief of Library and Network Services; James Berberich, Chief of Archives and Records Management.

Diane Solomon, Executive Director, Tampa Bay Library Consortium, presents the TBLC Union Lists of Serials, which contains 48,000 serial holdings of 76 libraries and is maintained on the OCLC system. Florida's regional library cooperatives are front-line organizations that promote library services and interlibrary lending.

WorldCat contains 18.5 million holdings from Florida libraries, with about 1 million new holdings being added to the database annually. WorldCat also is the foundation for much of the interlibrary lending in Florida, accounting for about 500,000 transactions each year.

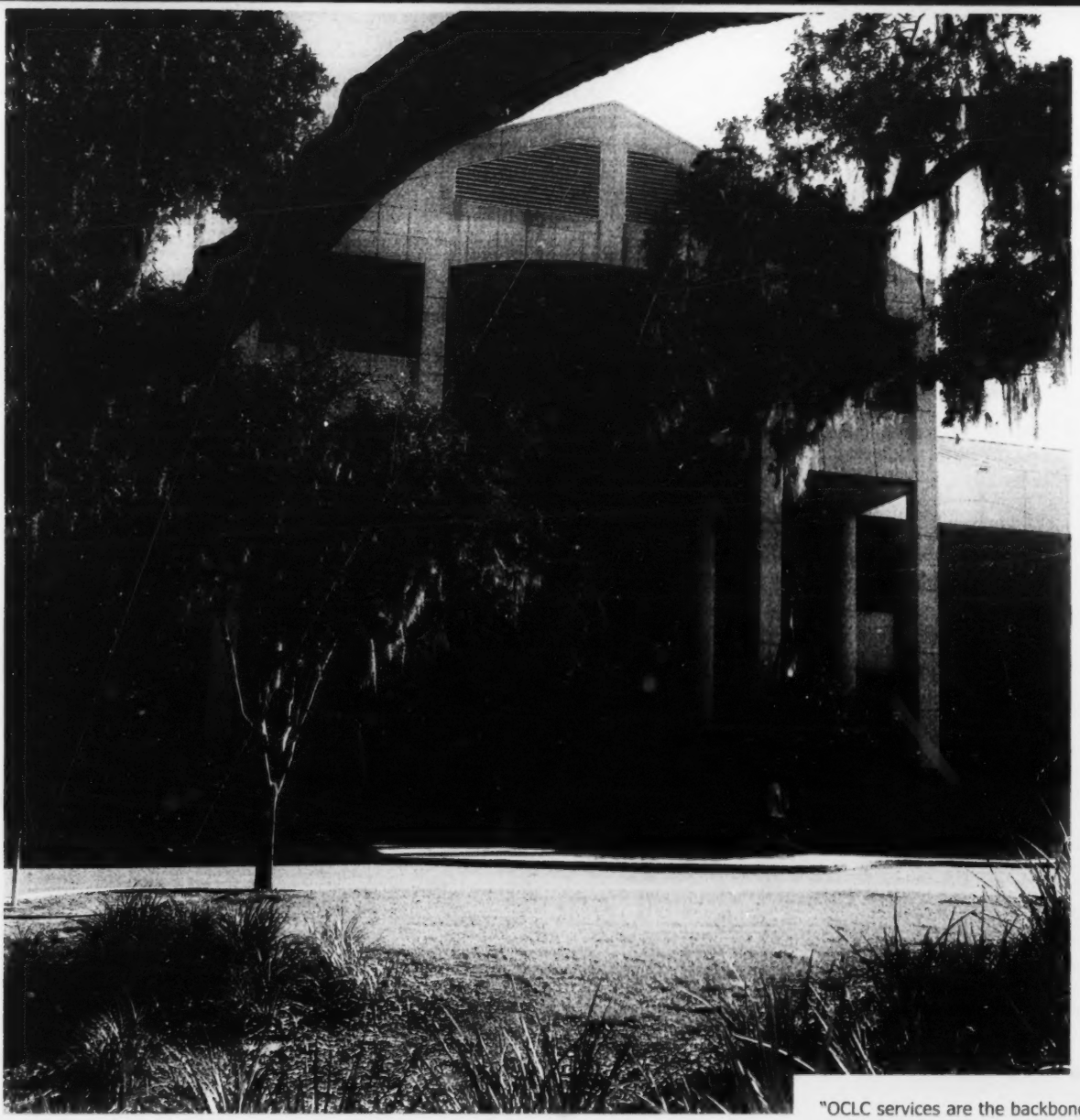
"The principles of interlibrary cooperation and resource sharing are essential to the vitality of all Florida libraries," says Barratt Wilkins, Director, Florida Division of Library and Information Services. "WorldCat is the model of library cooperation and the bedrock of our statewide, collaborative efforts."

To make Florida's library resources directly available to Florida residents, the state library, the state university system and the community college system funded statewide access to the OCLC FirstSearch service, an end user, online reference service that provides access to WorldCat and 80 other reference databases. Last year, Florida residents did more than 3 million searches and downloaded approximately 1 million full-text articles using FirstSearch.

At the University of South Florida, OCLC services are helping build a Virtual Library that delivers a rich, electronic collection of research and reference materials to the user's desktop. Sixty-five FirstSearch databases, including 11 full text databases, and more than 700 electronic journals from Electronic Collections Online are part of the digital content provided to the 36,000 students and faculty on four campuses. In addition, the OCLC

"The principles of interlibrary cooperation and resource sharing **are essential to the vitality of all Florida libraries.**"

—Barratt Wilkins, Director



"OCLC services are the backbone of our library. Life without them is unimaginable. Even though the Internet has expanded the world of resources, OCLC remains the most efficient method to discover resources and who owns them."
— Helen Moeller, Director, Leon County Public Library, Tallahassee, Florida

SiteSearch suite of software is used for cross-database searching, interface design and database building and indexing.

"As technology alters the fabric of our society and its libraries, OCLC services have enabled the University of South Florida Libraries to evolve to meet the needs of our research community in the digital age," says Monica Metz-Wiseman, Virtual Library Manager. "The USF Libraries are moving from brick-and-mortar libraries to access libraries, balancing the importance of physical collections, services and places with that of the virtual. OCLC has been a partner in this evolution."

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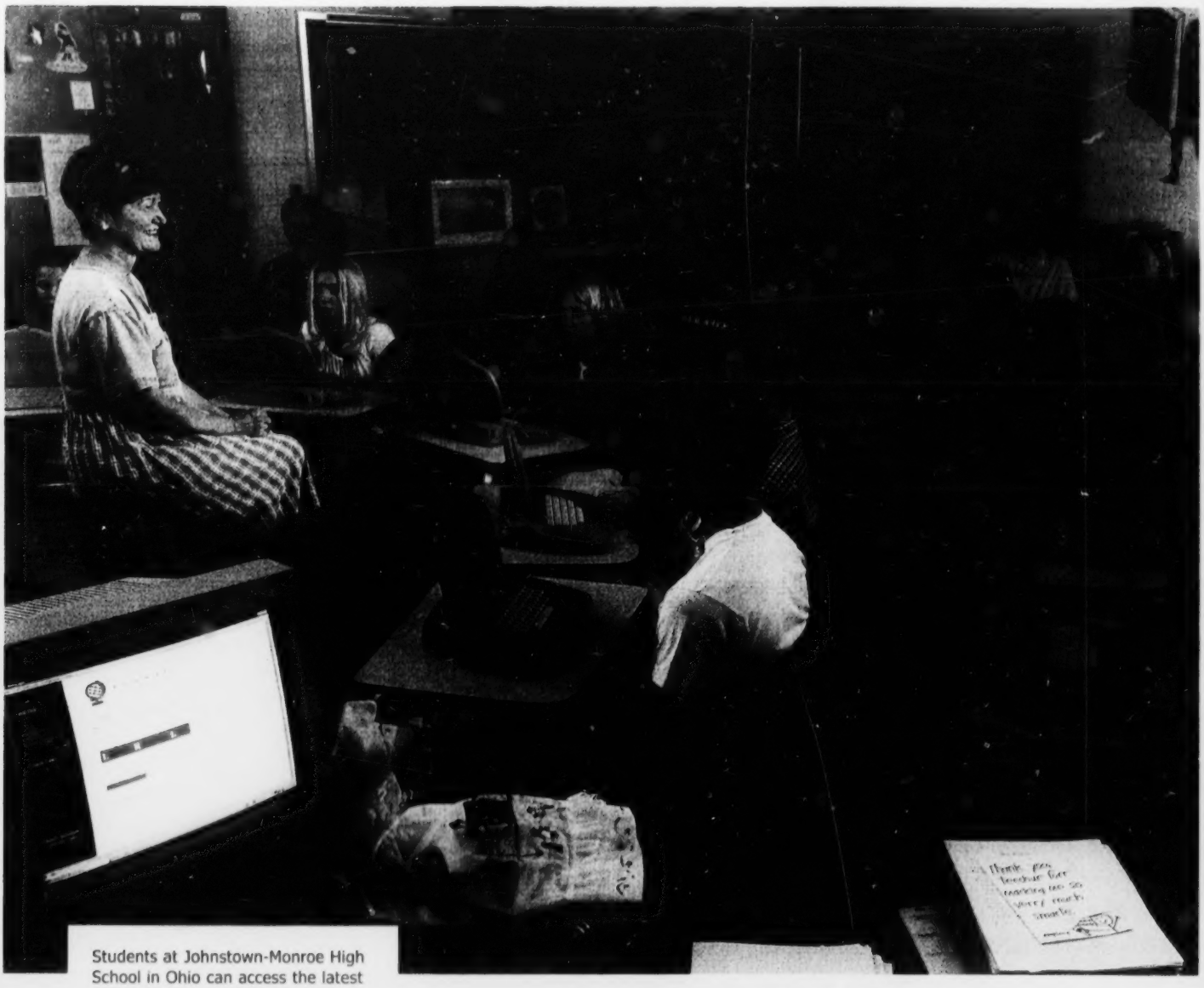

Students at Johnstown-Monroe High School in Ohio can access the latest materials in the library from their classroom thanks to the OCLC CatExpress service, which enables librarians to make newly acquired items available overnight.

Innovations in cataloging

OCLC provides a full range of collection development, cataloging, conversion and authority control services to help libraries increase staff productivity and streamline the flow of materials from publisher to library shelf to library user.

CatExpress provides copy cataloging for Ohio schools

Twelve libraries from INFOhio, the information network for Ohio schools, helped develop OCLC CatExpress by pilot testing the new service for 16 months and offering suggestions on improving its interface and functionality.

A partnership among OHIONET, INFOhio and OCLC helped develop the OCLC CatExpress service. From left, Michael Butler, Executive Director, OHIONET; Linda Gabel, Product Manager, OCLC; and Theresa Fredericka, Executive Director, INFOhio.

OCLC CatExpress is a Web-based copy cataloging service designed for small public and school libraries with low volumes of cataloging.

"My cataloging productivity sky-rocketed using CatExpress," says Sharon Coghlan, Elyria Public Schools. "I could find records in WorldCat for nearly all items, no matter their format or age. And having the records available the next day for downloading into our online catalog puts the materials into the hands of our students very quickly."

Adds Theresa M. Fredericka, Executive Director, INFOhio, "INFOhio's partnership with OHIONET and OCLC now offers all schools in Ohio access to WorldCat, the world's largest online union catalog, through the CatExpress interface. The low CatExpress subscription price allows school libraries to obtain quality MARC records in a timely fashion and at a minimal cost."

"My cataloging productivity sky-rocketed..."
—Sharon Coghlan, Elyria Public Schools

AsiaLink offers collection development for Houston Public Library

The growth of the Asian community in Houston, Texas and the difficulty of keeping Asian language collections up-to-date led the Houston Public Library to choose the OCLC AsiaLink service to provide Asian language materials for its collection. AsiaLink provided start-up collections to replace old collections and is providing a continuation service to guarantee the collections are constantly refreshed.

"Finding distributors of books in languages other than English is a challenge," says Judith Hiott, Materials Selection.

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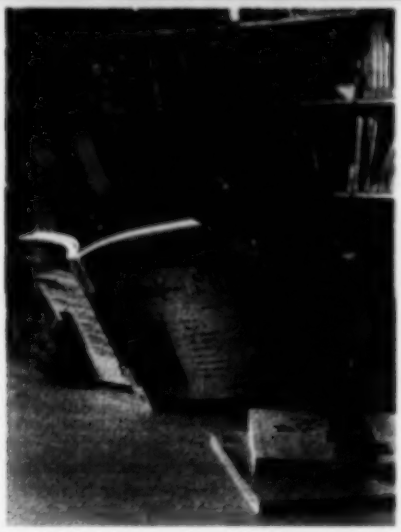


The OCLC AsiaLink service provides the Houston Public Library with a comprehensive collection development service for materials in Chinese, Japanese, Korean and Vietnamese languages.

"The OCLC AsiaLink staff of collection development librarians and Asian language experts ensure quality collections and remove the complications of dealing with multiple and often unknown vendors. And, since we don't have cataloging staff fluent in all four Asian languages, the provision of cataloging records by AsiaLink is very useful to us."

"Finding distributors of books in languages other than English **is a challenge."**
—Judith Hiott, Materials Selection

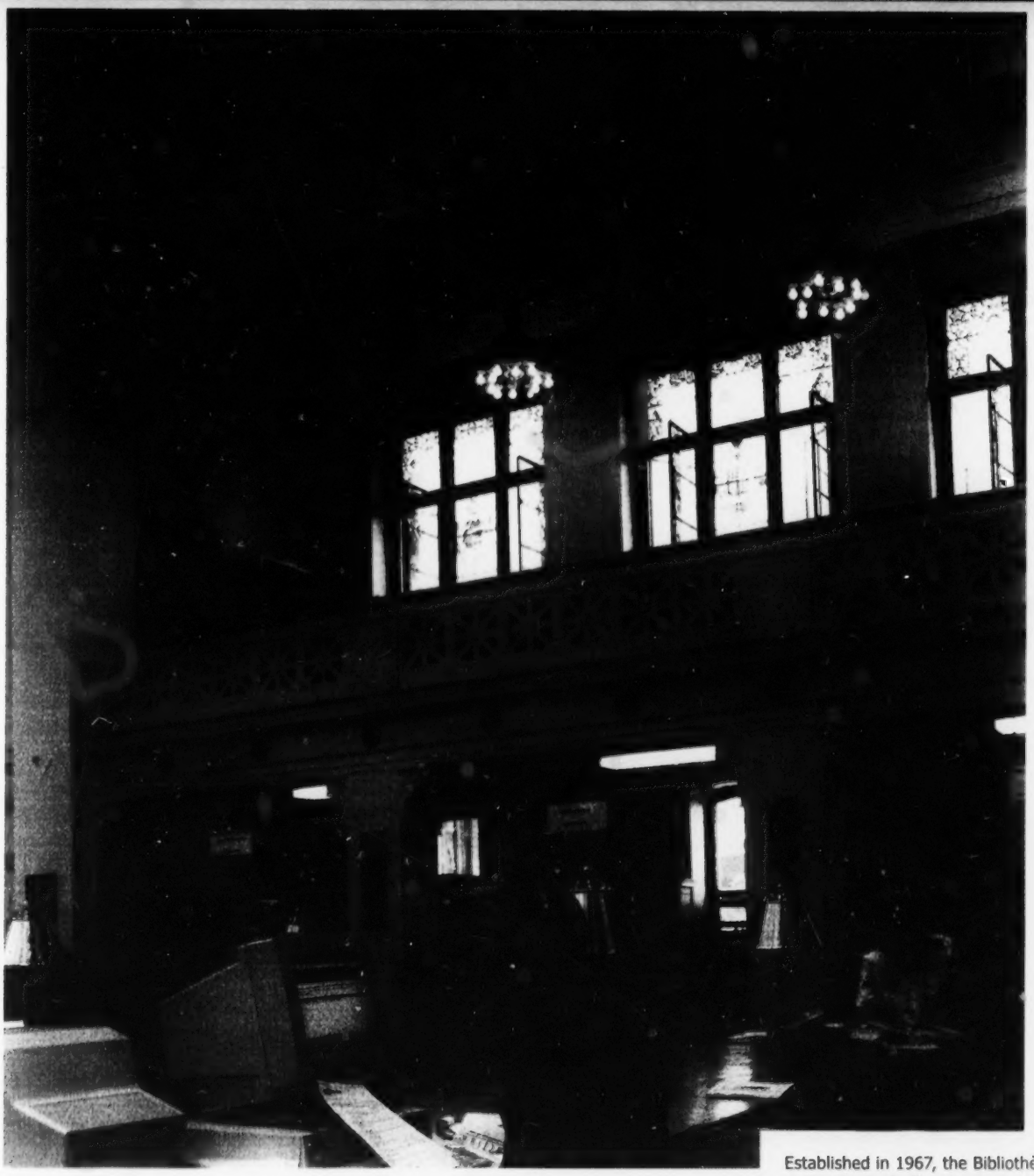
Converting 15 tons of catalog records to machine-readable form

Yale University Library, New Haven, Connecticut, is using OCLC conversion services to convert approximately 2 million bibliographic records to Machine-Readable Cataloging format (MARC). The conversion will be accomplished over the next three years.

In addition to creating and updating records in WorldCat, OCLC RetroCon staff are working directly in Yale's online bibliographic information system, an innovation resulting in more timely availability of converted records for Yale staff and readers.

"The Yale Library regards the creation of a complete, reliable and robust online catalog as the single most important way we can improve services to readers," says Scott Bennett, University Librarian, Yale University. "Students and faculty alike are eager to see our catalog conversion completed. Our ability to serve readers beyond New Haven will be greatly enhanced at the same time."

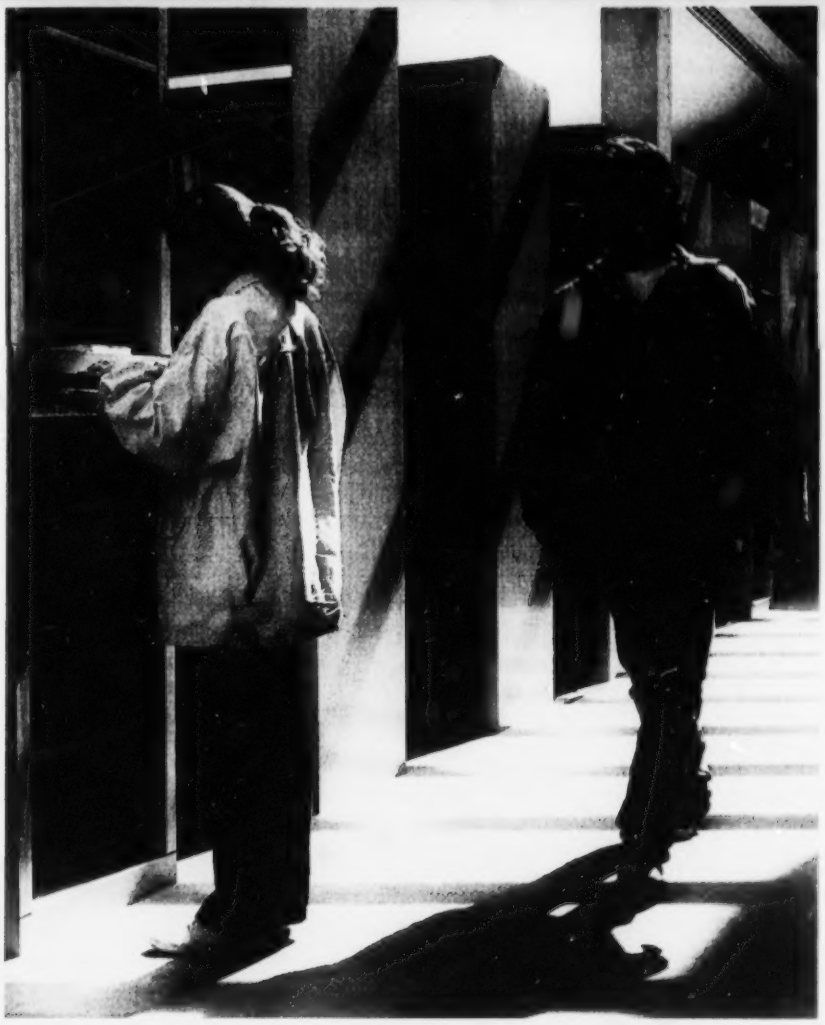
To perform a conversion project for Yale University Library, OCLC RetroCon staff will handle 8 million catalog cards—15 tons of paper.



Established in 1967, the Bibliothèque nationale du Québec became an OCLC member this year to contribute its cataloging to WorldCat.

Promoting **global librarianship**

The OCLC community is becoming increasingly global because knowledge and information flows are worldwide. During the past year, more than 800 libraries from 20 countries outside the United States became OCLC participating libraries.



In 1999, the library at the Universidad de San Andrés became the first OCLC member in Argentina.

Universidad de San Andrés is the first member in Argentina

To collaborate with libraries and to improve their cataloging productivity, the Universidad de San Andrés became the first OCLC member in Argentina.

"We can proudly state that we share our resources with many important libraries around the world."

—Irene Münster, Head Librarian

"We wanted to participate in the cooperative spirit that prevails in librarianship through OCLC," says Irene Münster, Head Librarian. "By virtue of our membership, we can proudly state that we share our resources with many important libraries around the world."

Using the OCLC Cataloging service, the Technical Services Department streamlined its cataloging operation. "The OCLC system came to our rescue," says Ms. Münster. "Any question we have on cataloging, the MARC format or the Library of Congress Classification system is quickly answered with WorldCat."

Bibliothèque nationale du Québec is more efficient with OCLC services

At the Bibliothèque nationale du Québec, another new member in 1999, OCLC membership means that its cataloging, interlibrary loan and reference services are more efficient.

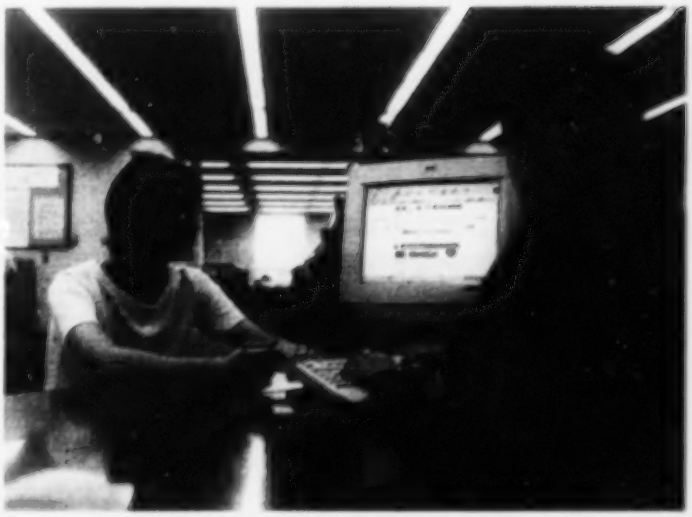
"WorldCat and the OCLC Cataloging service are extremely useful and time-saving tools, particularly for subject cataloging and classification of learned publications," says Suzanne Rousseau-Dubois, Director of Technical Services. "Why search multiple databases and reference works when a single source will do?"

To Ms. Rousseau-Dubois, contributing cataloging to WorldCat also is an opportunity to increase coverage of Québec literature and to promote the library's unique collection in a global network.

Waseda University shares research materials using OCLC ILL

To improve access to Japanese research materials and to help libraries contain costs, Waseda University is using the OCLC Interlibrary Loan service and OCLC ILL Fee Management to share its resources with U.S. libraries in the Association of Research Libraries (ARL) Japan Project.

"Our library is eager to facilitate library resource sharing by expanding interlibrary loan channels between both countries," says Makoto Nakamoto, Librarian, Department of Administrative Services. "The OCLC ILL service greatly alleviates problems U.S. libraries previously experienced when they sent ILL requests to Japan. We are confident that our initiative with OCLC and the ARL Japan Project will serve as a touchstone for continued international cooperation between libraries."



Waseda University uses the OCLC Interlibrary Loan service to fulfill requests from libraries in the Association of Research Libraries Japan Project.

An alliance with SABINET Online enables more than 400 South African libraries to use the OCLC Cataloging service. Front, Tinus Boshoff, Manager, Product Development; back, from left, John Dowd, OCLC Europe, the Middle East & Africa; Rosalind Hattingh, Information Technology Manager; Gerhard Kemp, Managing Director; Vanessa du Plessis, Manager, Marketing & Sales; Pierre Malan, Manager, Academic and Consortia Business Unit.

South Africa libraries improve cataloging productivity

As part of an ambitious plan to offer a unique technical processing solution to its clients, SABINET Online is delivering OCLC cataloging services to more than 400 libraries in South Africa. Under the plan, South African libraries connect to the OCLC Cataloging service using a dedicated telecommunications link from the SABINET online system, which hosts SACat, the South African Union Catalog.

"This agreement will benefit researchers worldwide," says Gerhard Kemp, Managing Director, SABINET Online. "The rich collections of South African libraries will be made available to the world's scholars, and South African libraries benefit by having access to a repository of global knowledge with WorldCat."

> "This agreement will benefit researchers worldwide."
> Gerhard Kemp, Managing Director

In addition to offering OCLC Cataloging services, SABINET Online provides the OCLC FirstSearch service to more than 100 libraries in South Africa and uses the OCLC SiteSearch suite of software to manage MagNet, its Web-based information retrieval service that provides seamless access to South African databases.

Tulsa City-County Library System: **Transforming resource sharing**

OCLC Resource Sharing services strengthen the tradition of library cooperation. To help libraries tap into the rapidly expanding flow of knowledge, OCLC is combining searching, interlibrary loan and document delivery into a single, fast, low-cost service.

To meet the increasing and changing information demands of its users, the Tulsa City-County Library System, Tulsa, Oklahoma, is developing a customized, efficient resource sharing system using OCLC services.

The library subscribes to the OCLC FirstSearch service to put information from the world's libraries and publishers at users' fingertips. With links to online articles, Web sites and

"We provide our users with an incredible array of materials **that was previously not available."**

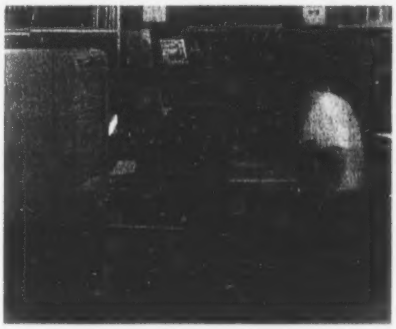
—Sarah Simpson, Interlibrary Loan Supervisor

an interlibrary loan form, FirstSearch provides users with the power to discover resources and obtain full-text materials quickly and efficiently.

The library also subscribes to the OCLC Interlibrary Loan service and uses Custom Holdings, the ILL Micro Enhancer, and ILL Fee Management to manage and streamline its resource sharing efforts. Last year, the library borrowed 11,000 items for its users.

"Using OCLC services, we provide our users with an incredible array of materials that was previously not available," says Sarah Simpson, Interlibrary Loan Supervisor. "All of the resource sharing management tools they provide speed the interlibrary loan process and save us considerable time."

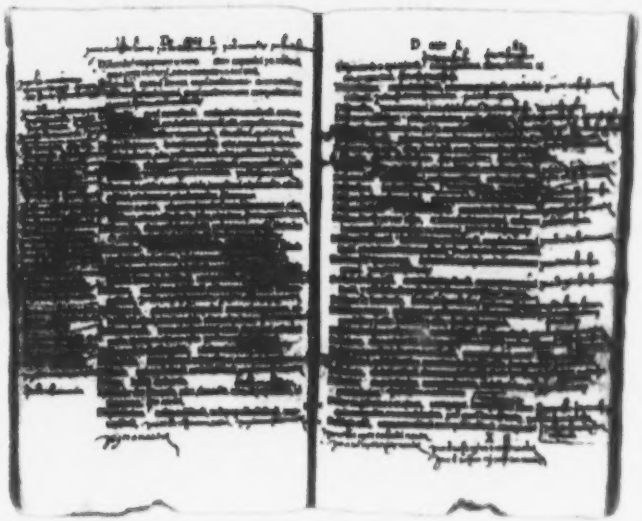
The Tulsa City-County Library System staff. Sitting, from left, Sarah Simpson, Interlibrary Loan Supervisor; Linda Saferite, Library Director; Louise Harper, ILL Borrowing Clerk; standing, from left, Laurie Sundborg, Resources Coordinator; Wes Hale, ILL Lending Clerk.



OCLC Resource Sharing services have opened the door to the world of information for the more than 500,000 people served by the Tulsa City-County Library System.

Preservation Resources: Advancing the future by preserving the past

A division of OCLC, Preservation Resources provides a full range of services to meet the diverse preservation needs of libraries and archives, including superior microfilming of printed books, manuscripts, newspapers and photographs; editorial preparation; storage and digital scanning.



Using a custom-built book cradle to support the tightly bound volume, Preservation Resources microfilmed a 444-year-old first edition Spanish-Nahuatl dictionary for the Huntington Free Library. The microfilm was then scanned to produce a digital copy.

To make a unique item from its collection more accessible to researchers, the Huntington Free Library in the Bronx, New York, looked to Preservation Resources. The library possesses a 444-year-old, first edition Spanish-Nahuatl dictionary written by Father Alonso de Molina that contains annotations from Franciscan missionary Father Andrés de Castro in a second Mexican Indian language—Matlatzinca. The annotations make Huntington's copy of the dictionary, which is one of only 20 known in existence, extremely valuable to scholars.

"Preservation Resources was willing to accommodate the special requirements set out by the library's trustees for filming this unique volume," says Mary B. Davis, Library Director, Huntington Free Library. "We now have a very unusual work preserved for future research in both microfilm and digital formats."

"We now have a very unusual work preserved for future research **in both microfilm and digital formats.**"

—Mary B. Davis, Library Director

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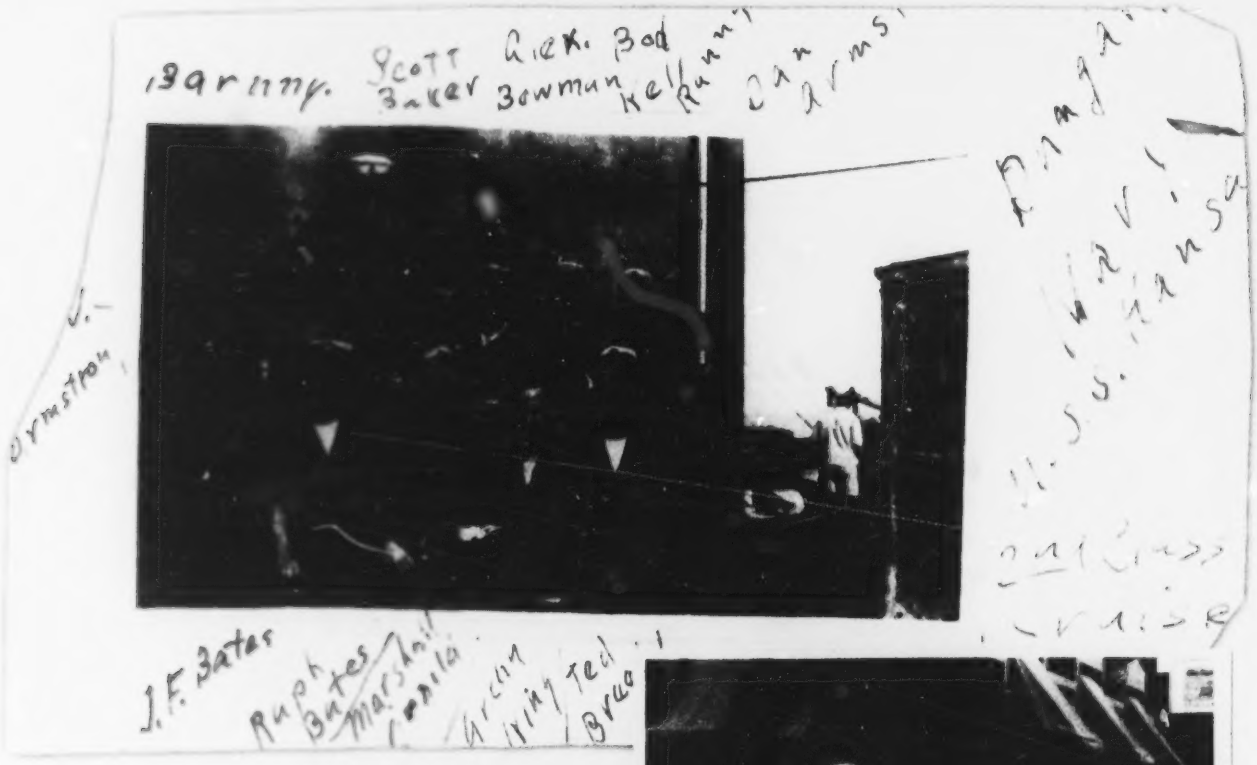

The personal papers of Rear Admiral Richard W. Bates, which were scanned and digitized by Preservation Resources, are now online and can be accessed through the Naval War College Library's Web site.

For the Naval War College Library, Newport, Rhode Island, Preservation Resources preserved on microfilm, digitized and indexed the personal papers of Rear Admiral Richard W. Bates, a highly decorated U.S. Naval officer. The papers span six decades and contain correspondence, subject files, writings and speeches. Digital access was provided using Adobe's PDF format. Support for this project was provided by the Navy Legacy Resource Management Program.

"The staff of Preservation Resources possess a high degree of expertise and made numerous suggestions that made this project a reality," says Robert E. Schnare, Director, Naval War College Library.

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The OCLC Institute traveled to four locations—Syracuse University, UCLA, National Library of Canada and Trinidad and Tobago—to conduct on-site seminars. In addition, 14 OCLC affiliated regional networks co-sponsored seminars with the OCLC Institute.

The OCLC Institute: Providing advanced education to library professionals

The digital knowledge age, an exciting but uncertain time for librarians, requires constant professional development. The OCLC Institute is an important part of OCLC's strategy to help libraries participate fully in the emerging global, digital community of the 21st century. Its mission is to promote the evolution of libraries and information services by providing library professionals with opportunities for advanced education and knowledge exchange.

Mary Beth Bell, Library Director, State University of New York at Oswego, says that the Institute's Knowledge Access Management seminar was an excellent program—one of the most interesting and educational seminars she's attended. "We were presented with a variety of critical, challenging ideas, and I left feeling much better informed about a number of issues of intrinsic importance to the library profession. I think that it is right that an organization like OCLC brings these issues to the forefront."

"I left feeling much better informed about a number of issues **of intrinsic importance to the library profession.**"
—Mary Beth Bell, Library Director

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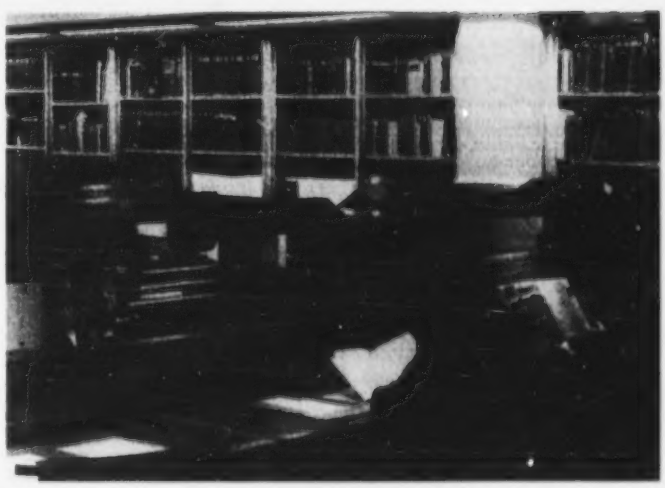
Organizing Knowledge in the British Library and the Bibliothèque nationale de France

Two renowned libraries are using the Dewey Decimal Classification system in their public reading rooms to improve access to their collections.

The British Library is using the DDC for shelving its large open-access collections in the Science, Technology and Business Reading Rooms at the new Library at St. Pancras, which opened in 1997. "Since the 1970s, the British National Bibliography, which records the Library's intake as a legal depository for the United Kingdom, has been arranged by the DDC," says Stuart Ede, Director of Collection Management, the British Library. "Its application in the 1990s to catalog records for a large part of our purchased intake offers much better subject access both for scholars and for the wider audience we are trying to reach."

The Bibliothèque nationale de France is using the DDC to classify two comprehensive collections that will eventually number more than 700,000 volumes at its Tolbiac site. A specially appointed commission chose the DDC to organize the works in philosophy, history, and humanities; law, economics, and politics; science and technology; and literature and art. The library also will use the DDC to provide subject access to works in storage.

First published in 1876, the DDC is the world's most widely used library classification system and is continuously updated to keep pace with the expansion of knowledge.



Library materials in the Oriental & India Office Collection reading room at the British Library, St. Pancras, are organized using the Dewey Decimal Classification system.

Staff at the OCLC/WLN Pacific Northwest Service Center in Lacey, Washington, provide support and training to more than 500 libraries in the Pacific Northwest region of the U.S. and Canada. OCLC/WLN continues to serve as the research, design, marketing and production site for the Automated Collection Analysis Service (ACAS), the Authority Control and Database Preparation Service (MARS), and CD-ROM databases (LaserCat and FastCat).

OCLC and WLN:
Extending collaboration and value creation

OCLC and WLN merged effective January 1, 1999. WLN member libraries are migrating to OCLC Cataloging and Resource Sharing services, and the WLN Union Catalog is being merged with WorldCat (the OCLC Online Union Catalog). In addition, WLN full member libraries are now OCLC general members, with the opportunity to

The staff at the Consortium Library at the University of Alaska Anchorage. Front row, from left, Stephen Rollins, Dean; Patti Thorne, Serials Manager; Donna Christensen, Circulation Manager; Monica Batac, Income Manager; Marsha Callaway, Government Documents Assistant; back row, Alden Rollins, Professor Emeritus; Candy Kahklen, Accounting Technician; Cathie Innes-Taylor, Collections Development Officer.

participate in OCLC's governance through the OCLC Users Council. They may also serve on various OCLC advisory committees and groups.

"Because of the merger, we have joined the global OCLC library community without severing our regional connections," says Stephen Rollins, Dean, Consortium Library, University of Alaska Anchorage. "Our students, staff and faculty now have access to vast library holdings via WorldCat while we continue to work with WLN staff familiar with our region."

"We have joined the global OCLC library community **without severing our regional connections."**

—Stephen Rollins, Dean

Says Marilyn Pederson, Assistant Library Director, Renton Public Library, Renton, Washington, "As we continue to use OCLC services daily, we become more comfortable with the system and its extensive capabilities."

The technical services area at Renton Public Library. Front, Marilyn Pederson, Assistant Library Director; back, Janice Bicknell, Library Technical Assistant.

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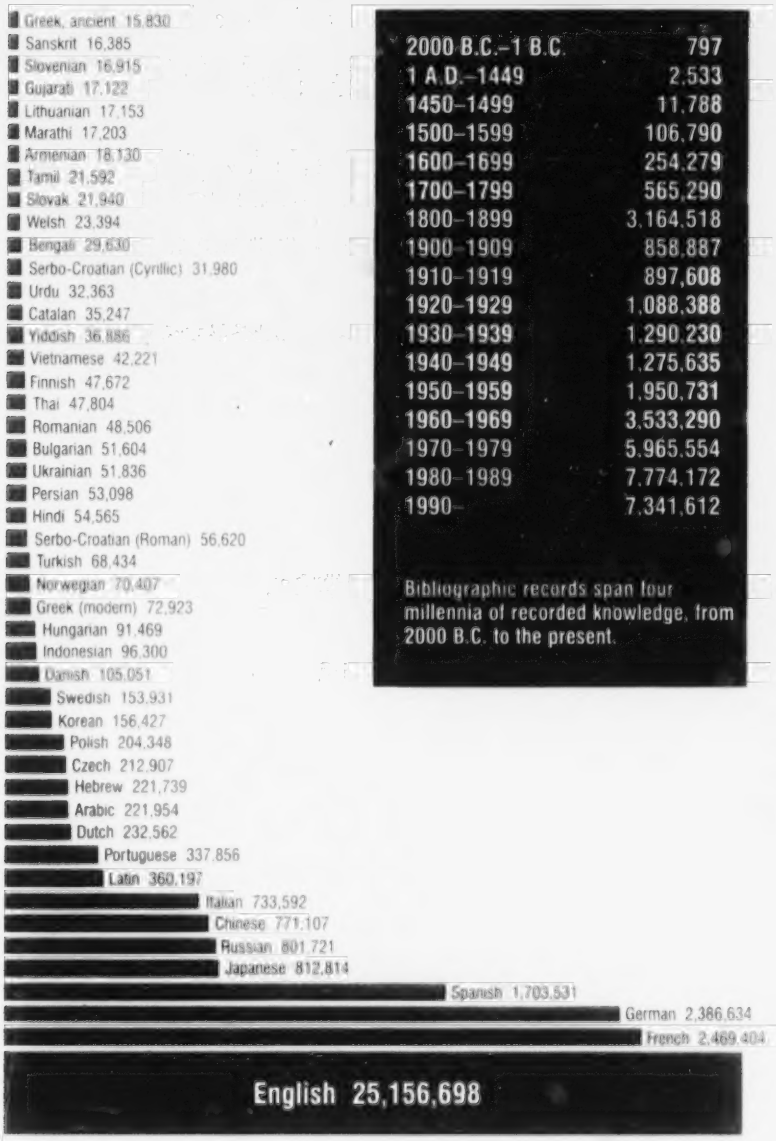
WorldCat

WorldCat (the OCLC Online Union Catalog) is the world's largest and most comprehensive database of bibliographic information. Containing the merged catalogs of libraries around the world, it makes available to libraries and their users resources no single library could possess.

Every 15 seconds an OCLC member adds a new record to WorldCat. In fiscal 1999, the database grew by 2.2 million records. Libraries used it to catalog and set holdings for 57.7 million books and other materials and arrange 8.2 million interlibrary loans. Library staffs and users accessed it via the OCLC FirstSearch service for research and reference and to locate materials, conducting more than 61.9 million searches.

Language Distribution

as of June 30, 1999



Date Ranges of Records

2000 B.C.–1 B.C.	797
1 A.D.–1449	2,533
1450–1499	11,788
1500–1599	106,790
1600–1699	254,279
1700–1799	565,290
1800–1899	3,164,518
1900–1909	858,887
1910–1919	897,608
1920–1929	1,088,388
1930–1939	1,290,230
1940–1949	1,275,635
1950–1959	1,950,731
1960–1969	3,533,290
1970–1979	5,965,554
1980–1989	7,774,172
1990–	7,341,612

Bibliographic records span four millennia of recorded knowledge, from 2000 B.C. to the present.

Millionth WorldCat Records

40 millionth
Harid Conservatory Music Library
October 4, 1998

41 millionth
University of Illinois at Chicago Library
March 19, 1999

Millionth OCLC Interlibrary Loan Transactions

84 millionth
Centenary College of Louisiana
July 13, 1998

85 millionth
National Agricultural Library
September 4, 1998

86 millionth
University of Delaware, Newark
October 13, 1998

87 millionth
University of Oregon, Eugene
November 17, 1998

88 millionth
Bethel College Library
January 18, 1999

89 millionth
Lehigh Carbon Community College
February 22, 1999

90 millionth
Wellesley Free Library
March 29, 1999

91 millionth
University of Oregon, Eugene
May 10, 1999

92 millionth
Lubbock City-County Library
June 30, 1999

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The University of South Florida at St. Petersburg has been an OCLC member since 1978.

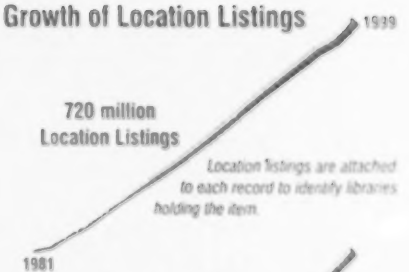
Records by Format

WorldCat as of June 30, 1999

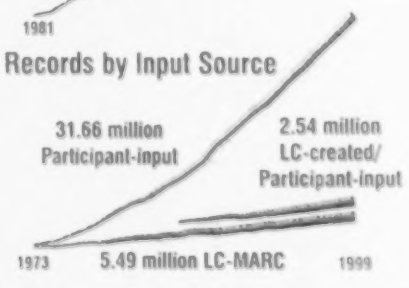
Format	Total LC Records	Total Participant-input	Total LC-created Participant-input	Total Records
Books	4,778,812	26,213,871	2,353,163	33,345,846
Serials	205,682	1,767,981	53,171	2,026,834
Visual Materials	102,006	1,016,215	27,009	1,145,230
Maps	194,281	337,533	6,701	538,515
Mixed Materials	240	286,864	442	287,546
Sound Recordings	153,382	1,107,773	51,080	1,312,235
Scores	55,328	814,958	53,009	923,295
Computer Files	4,325	113,376	197	117,898
Totals	5,494,056	31,658,571	2,544,772	39,697,399*

* Reflects total unique records after duplicate detection resolution is complete.

Growth of Location Listings



Records by Input Source



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OCLC Users Council:
The Voice of the OCLC Membership

The OCLC Users Council comprises 60 librarians elected from OCLC member libraries who represent OCLC-affiliated networks and service centers. The Council has three main responsibilities: 1) to elect six delegate librarians to the OCLC Board of Trustees; 2) to ratify amendments to the OCLC Articles of Incorporation and Code of Regulations; and 3) to provide advice and counsel to OCLC.

During 1998/1999, Users Council meetings focused on the theme of "Digital Library Futures: Libraries, OCLC, and New Models of Cooperation." At the October meeting, Council examined likely scenarios for further development of the digital library over the next three to five years. Council's message to OCLC was to continue as a leader in working with libraries and other information and technology organizations to advance the digital library in such areas as metadata standards. The January Users Council meeting was cancelled for the first time in 20 years because of severe winter weather.

The May "meeting and a half" was one of the most productive ever. With six guest speakers and several discussions, delegates explored the best practices for building digital libraries. Users Council unanimously passed a resolution on "Shared Commitments to the OCLC WorldCat Principles of Cooperation" that reaffirmed the commitment of OCLC, the networks, and member libraries to cooperation and shared responsibility for building access and content for digital libraries. Led by Users Council President Brad Baker (ILLINET), Council passed a resolution in May calling for bold, collective action by OCLC and libraries to organize resources on the Web with projects such as the Cooperative Online Resource Catalog (CORC). In his report to the membership at the OCLC President's Luncheon at the annual conference of the American Libraries Association on June 28, 1999, Council President Brad Baker stated: "The excitement in Users Council over OCLC's CORC project is unquestionably as high as I have seen for any OCLC product or service in my eight years on Users Council."

The 1998/99 Executive Committee

From left to right
Larry Alford (SOLINET), Delegate-at-large
Kristin Senecal (PALINET), Delegate-at-large
Brad Baker (ILLINET), President
William Sannwald (OCLC Pacific), Delegate-at-large
Betsy Wilson (OCLC Pacific), Vice President/President-Elect

Inset
Richard Van Orden, Program Director, Users Council

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www.bumhanbook.co.kr

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2F, Shinwon Building
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Fax: +82 2 326 0219
E-mail: mslee@shinwon.co.kr

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Fax: +60 3 407 9180
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CD Books International
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PO. Box 890
Cebu City 6000 **Philippines**
+63 32 2551647
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Fax: +44 1225 826177
E-mail: h.m.franklin@bath.ac.uk
www.chest.ac.uk

ITS (Information Technology Supply Ltd.)
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+44 181 429 4455
Fax: +44 181 429 3642
+44 181 868 2330
E-mail: its@itsltd.demon.co.uk
www.itsltduk.com

SLS (Information Systems) Ltd
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Upper York Street
Bristol BS2 8QF **United Kingdom**
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Fax: +44 117 924 4367
www.sls.se

+ Indicates the number requires the addition of an access code when dialed internationally.

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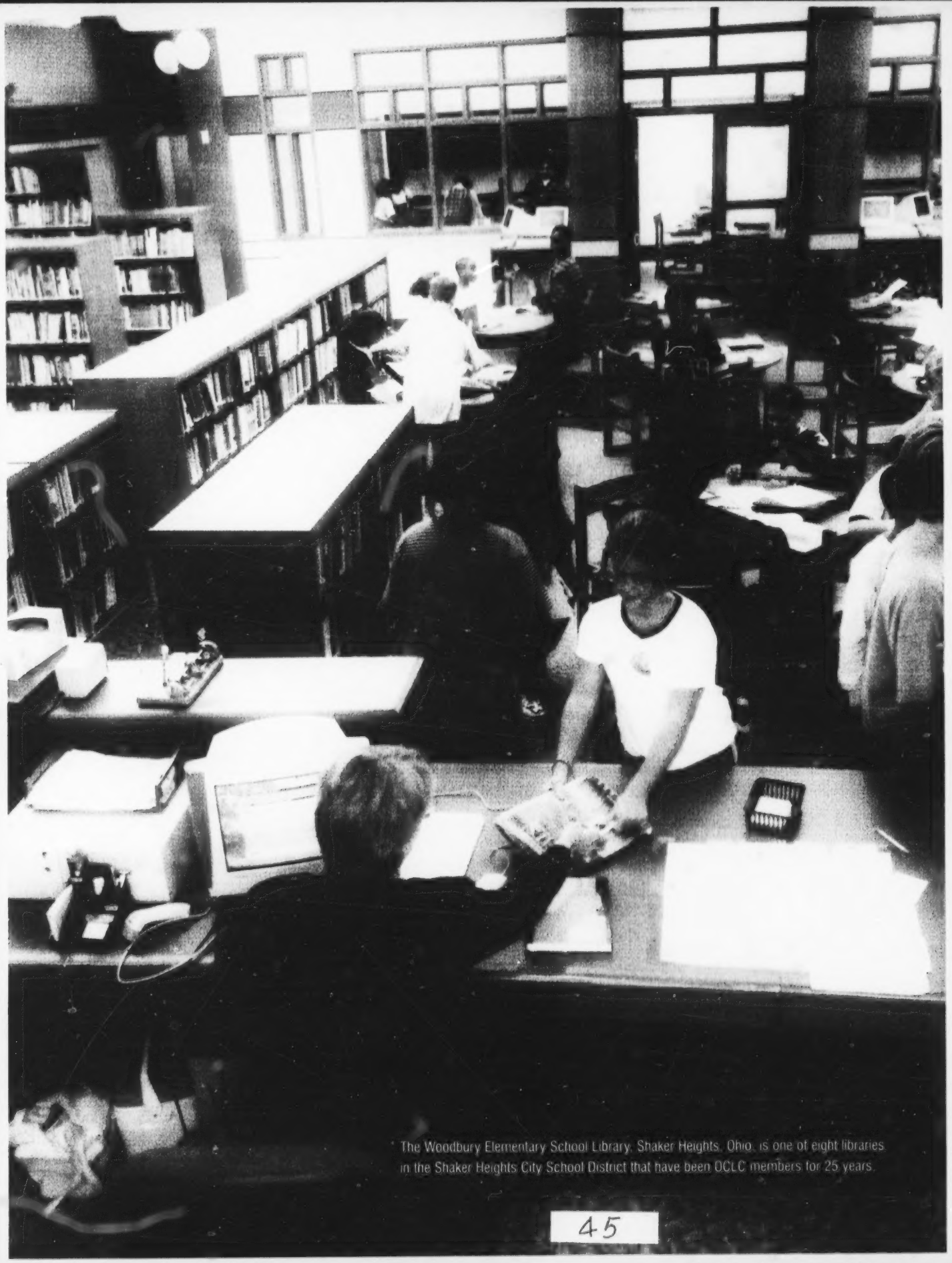


The Woodbury Elementary School Library, Shaker Heights, Ohio, is one of eight libraries in the Shaker Heights City School District that have been OCLC members for 25 years.

Financial Report 1998/99

Management Letter

THE MANAGEMENT OF OCLC ONLINE COMPUTER LIBRARY CENTER, INCORPORATED, is responsible for the accompanying financial statements. The statements have been prepared in conformity with generally accepted accounting principles and include amounts that represent the best estimates and judgments of management. Financial information included elsewhere in this report is consistent with that in the financial statements.

To meet this responsibility, OCLC maintains an effective system of internal accounting policies, procedures and controls intended to provide reasonable assurance, at appropriate cost, that assets are safeguarded against loss or unauthorized use, and that transactions are executed, recorded and summarized in accordance with management's authorization.

The financial statements have been audited by Deloitte & Touche, LLP, independent auditors, in accordance with generally accepted auditing standards that provide an objective, independent review of the fairness of reported financial condition and results of operations. Their audit includes procedures believed by them to provide reasonable assurance that the financial statements are free of material misstatement and a review of OCLC's internal control structure over financial reporting.

The Audit Committee of the board, consisting entirely of outside trustees, meets regularly with management and independent auditors and reviews audit plans and results as well as management's actions taken to discharge responsibilities for accounting and internal controls.

Jay Jordan
President and Chief Executive Officer
OCLC

William J. Crowe
Chair, Audit Committee
OCLC Board of Trustees

Rick J. Schwieterman
Vice President
Finance and Human Resources
Treasurer
OCLC

Financial Review and Management Commentary

Introduction

OCLC is a nonprofit, membership, computer library service and research organization whose public purposes of furthering access to the world's information and reducing library costs dominate its plans and activities. In support of these purposes, OCLC strives to maintain a strong financial foundation by operating in a business-like manner to accommodate growth, upgrade technological platforms, conduct research and development and still subsidize worthwhile projects for the benefit of libraries and their users.

Fiscal 1999 Results

In fiscal 1999, OCLC's revenues were $146.1 million, an increase of 7.3 percent over fiscal 1998 revenues of $136.2 million. Libraries continued to increase their use of OCLC services. Revenues in cataloging services were $60.3 million, compared to $54.6 million the previous year. Resource sharing revenues were $20.1 million, up from $18.2 million. Revenues in reference services increased 31.2 percent to $31.1 million from $23.7 million (see chart, "Reference Services Revenue Growth"). Access Services revenues were $25.1 million, down 18.8 percent from the prior year, reflecting OCLC's successful migration of libraries to new, lower cost Internet and other access options.

With the concurrence of the Board of Trustees and Users Council, OCLC strives to achieve an annual contribution to equity of 4.0 to 6.0 percent of revenues to maintain long term viability in pursuing its public purposes. Contribution to equity in fiscal 1999 was $7.3 million, or 5.0 percent of revenue, compared to $9.4 million or 6.9 percent in fiscal 1998. The contribution includes $3.8 million from realized investment portfolio gains, compared with $6.1 million the previous year. Contribution to equity before realized portfolio gains in fiscal 1999 was $3.5 million, compared with $3.3 million in fiscal 1998 (see chart, "Contribution Before Realized Portfolio Gains").

OCLC's total assets rose 19.6 percent to $229.8 million, and corporate equity increased 6.9 percent to $122.3 million.

Industrial Revenue Bond Issue

In December 1998, OCLC issued $32.5 million of Franklin County, Ohio, Revenue Bonds to improve real property, acquire office systems, computers and other equipment, and bibliographic and other databases. The bonds also served to advance refund and defease a portion of the 1991 industrial revenue bond issue. Standard and Poor's awarded the bond issue an "A" rating. The IRB offering was well received by the financial community.

OCLC/WLN

On January 1, 1999, WLN, a nonprofit corporation with 62 employees serving 550 libraries in the Pacific Northwest region of the U.S. and Canada from its office in Lacey, Washington, merged with OCLC in a non-cash transaction to become the OCLC/WLN Pacific Northwest Service Center, which now distributes and supports OCLC services.

PAIS and Pica

On February 24, 1999, OCLC and PAIS, Public Affairs Information Service, a nonprofit corporation with offices in New York City, signed a letter of intent to merge in a non-cash transaction. PAIS publishes the PAIS International database, which contains over 450,000 records of abstracted and indexed literature from over 120 countries. At this writing, the merger agreement awaited approval by the Board of Regents of the University of the State of New York.

On April 12, 1999, OCLC and Pica Foundation, a nonprofit organization based in Leiden, the Netherlands, signed a letter of intent to acquire an equity interest in Pica, B.V., which provides services to libraries in the Netherlands, France and Germany. At this writing, the due diligence process was still under way.

Pricing Actions, Credits, Subsidies and Cooperative Programs

OCLC's chartered objective of reducing the rise of library costs is a key element in its financial strategy. As indicated in the chart on page 5 comparing OCLC prices with those in higher education, in the last 10 years OCLC has held its cumulative price increases substantially below the level of inflation that educational institutions have experienced.

In fiscal 1999, OCLC provided libraries with $9.6 million in credits, incentives and cooperative programs, primarily for cataloging and resource sharing to encourage the growth and quality of WorldCat (see chart, "Credits, Subsidies & Cooperative Programs"). In the past 10 years, OCLC has provided libraries with nearly $80 million in credits and subsidies.

International

International participation in OCLC services continues to grow, with OCLC now serving 5,000 libraries in 66 countries and territories outside the United States. In fiscal 1999, OCLC's international revenue increased 23.5 percent (see chart, "Revenue, U.S. & International"). In support of OCLC's international growth initiatives, OCLC obtained ISO 9001 certification, an international standard for quality systems and quality assurance.

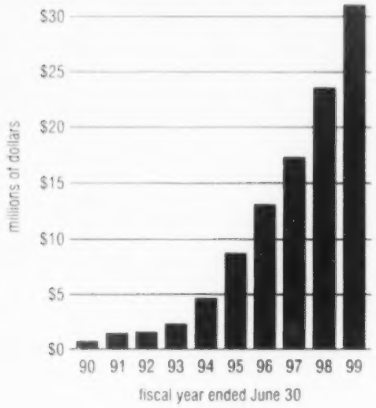
Capital Spending

In fiscal 1999, capital spending was $15.1 million, up 25.4 percent from $12.0 million the previous year. This spending reflects OCLC's commitment to upgrading existing computer systems and supporting new library services. Over the last 10 years, capital expenditures have totaled $161.5 million (see chart, "Capital Expenditures").

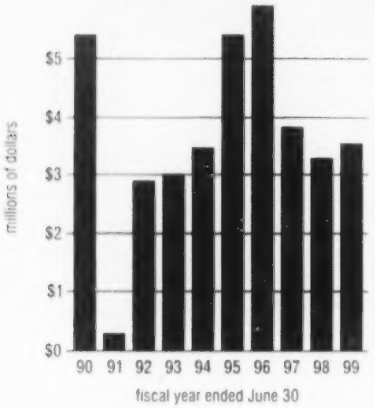
Research and Development

OCLC spent $12.5 million on research and development in fiscal 1999, up 17.7 percent from the previous year, and a total of $109.4 million over the past 10 years (see chart, "Research & Development Expenditures").

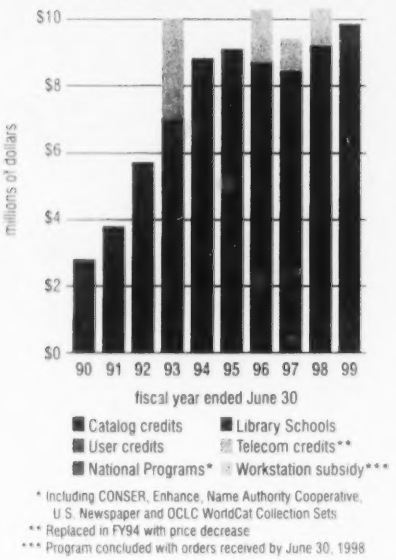
Reference Services Revenue Growth



Contribution Before Realized Portfolio Gains

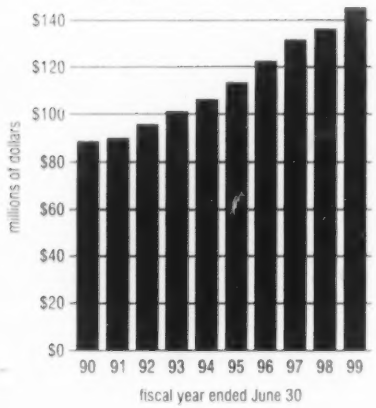


Credits, Subsidies & Cooperative Programs



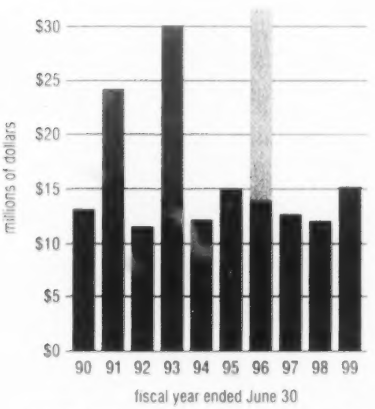
* Including CONSER, Enhance, Name Authority Cooperative, U.S. Newspaper and OCLC WorldCat Collection Sets
** Replaced in FY94 with price decrease
*** Program concluded with orders received by June 30, 1998

Revenue
U.S. & International



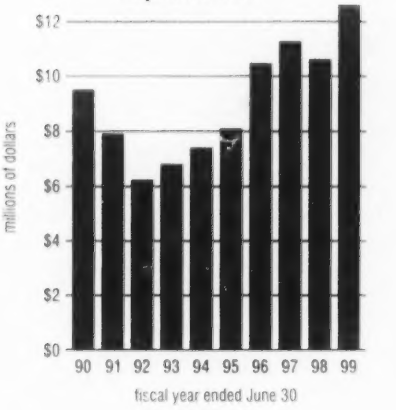
Excludes IDI and Local Systems

Capital Expenditures



Including cataloging credits & software development

Research & Development Expenditures



Excludes IDI

Employee Recruiting and Retention

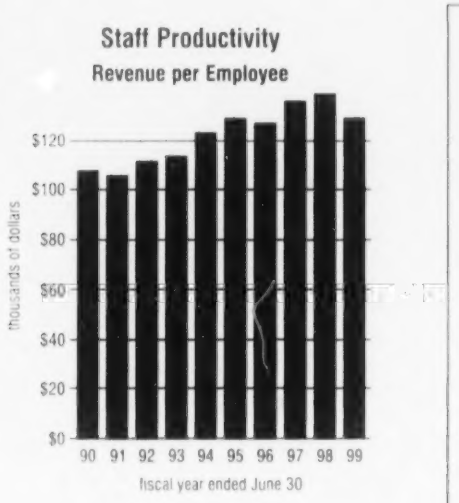
Expenses for salaries, wages and related fringe benefits increased to $62.6 million from $53.5 million the previous year as OCLC filled 145 new positions (including OCLC/WLN) and implemented new, more competitive employment packages and practices.

Year 2000 Software Compliance

OCLC has been working on the Year 2000 issue since 1995 and is implementing the changes necessary to conduct normal business activities in the Year 2000 and beyond. The cost of addressing the Year 2000 requirements is estimated to be $8 million over the cost of normal software upgrades and replacements.

Financial Review and Management Commentary

(continued)



Ten-year Review

OCLC has shown significant financial growth in the past 10 years. Revenues have grown from $96.2 million in fiscal 1990 to $146.1 million in fiscal 1999, an increase of 52.0 percent (see chart, "Ten-Year Revenue and Selected Financial Data"). Corporate equity increased 105.5 percent from $59.5 million to $122.3 million.

Staff productivity has remained high, with the number of staff increasing by 25.7 percent while revenues grew 52.0 percent (see chart, "Staff Productivity").

In the past 10 years, OCLC's capital expenditures in support of member services totaled $161.5 million and included major investments in new computer equipment, telecommunications, software, databases and facilities. OCLC has also lowered the depreciable lives assigned to computer systems from five and seven years to three and five years.

Financial Position

As of June 30, 1999, OCLC had assets of $229.8 million and corporate equity of $122.3 million. Net working capital, which represents funds available for current operations, was $87.4 million.

Current assets, including an investment portfolio, totaled $128.4 million, which was an increase of $14.7 million from the previous year. The investment portfolio generates interest and dividend income to support operations and is also available for long-term growth opportunities, debt retirement, and security for advance subscription payments and unearned revenues.

OCLC's current ratio improved to 3.1:1, which compares favorably to the customary standard of 1:1. The debt service ratio of 3.4:1 is substantially higher than the 1.1:1 ratio required by the OCLC bond agreements.

In summary, OCLC is financially well positioned to further access to the world's information and reduce library costs.

Ten-Year Review and Selected Financial Data

Consolidated (amounts in thousands)	ten-year total	1999	1998
FINANCIAL RESULTS:			
Revenues	$1,248,250	$146,150	$136,220(a)
Member Participation Credits	(43,770)	(5,640)	(5,280)
Net Revenues	1,204,480	140,490	130,940
Operating Expenses	1,165,550	138,060	128,370
Other Income (Expense)	15,840	4,880	6,840
Contribution (for Capital/ Growth Requirements) (d)	54,970	7,310	9,410
Depreciation and Amortization	138,410	13,110	13,640
Operating Cash Flow	193,380	20,420	23,050
Capital Expenditures	161,450	15,070	12,020
Research & Development Costs	109,360	12,530	10,640
FINANCIAL POSITION:			
Current Assets		128,420	113,740
Current Liabilities		41,000	38,410
Net Working Capital		87,420	75,330
Fixed Assets—Net		77,000	76,520
Total Assets		229,810	192,220
Long-Term Debt		56,800	31,850
Corporate Equity		122,520	114,460
PERFORMANCE COMPARISON:			
Current Ratio		3.13	2.96
Acid Test		3.04	2.85
Long-Term Debt/Corporate Equity		0.46	0.28
Accounts Receivable/Average Days Sales		52	50
Annual Growth in Revenues		7.3%	12.4%(a)
Compound Growth (from 1989)	4.2%		
Annual Growth in Corporate Equity		6.9%	12.8%
Compound Growth (from 1989)	8.5%		
IRB Debt Service Coverage (b)		3.4	4.4
Employees (End of Year)		1,089	944

(a) Decline reflects the sale of IDI which had revenues of $25.7 million in fiscal 1997.
(b) Includes two months of IDI revenues ($4.5 million) and 282 IDI employees.
(c) Decline reflects the sale of OCLC's Local Systems Division which had revenues of $7.5 million in fiscal 1990.
(d) Contribution represents the excess of revenues over expenses.

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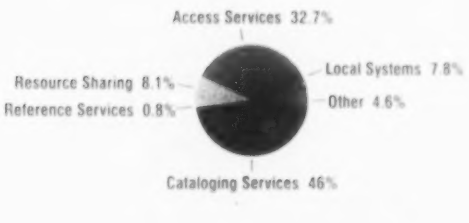
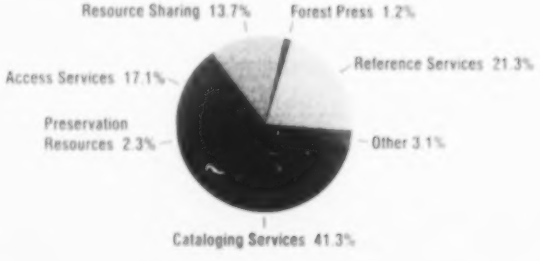
fiscal year ended June 30							
1997	1996	1995	1994	1993	1992	1991	1990
$155,590	$147,960	$142,960	$132,450	$105,420(b)	$95,400	$89,968(c)	$96,160
(4,980)	(4,930)	(4,610)	(4,300)	(6,660)	(2,940)	(2,270)	(2,160)
150,610	143,030	138,350	128,150	98,760	92,460	87,698	94,000
146,620	137,420	131,240	122,550	94,930	87,850	88,610	89,660
3,370	1,600	(1,510)	(800)	(460)	(1,700)	2,350	1,070
7,360	7,210	5,800	4,820	5,310	2,910(e)	1,430(e)	5,410
16,740	12,420	19,720	21,270	13,040	10,430	9,540	8,500
24,100	19,630	25,520	26,090	16,350	13,340	10,970	13,910
12,640	31,820(f)	14,990	12,130	14,000(g)	11,510	24,110(f)	15,160
15,780	14,850	12,920	11,560	7,450	6,230	7,900	9,520
101,780	86,670	74,240	76,700	66,540	64,360	55,080	54,810
44,970	44,370	39,690	32,910	36,450	21,700	14,910	14,650
56,810	42,300	34,550	43,790	30,090	42,660	40,170	40,160
83,600	88,340	69,750	74,380	85,510	62,650	61,460	44,350
186,360	175,700	162,850	174,790	174,870	141,490	121,250	103,500
33,780	35,020	37,000	63,850	65,690	41,120	42,670	27,920
101,450	90,660	80,910	75,360	68,610	65,490	62,390	59,530
2.26	1.95	1.87	2.53	1.83	2.97	3.69	3.74
2.17	1.86	1.79	2.25	1.76	2.84	3.48	3.44
0.33	0.39	0.46	0.87	0.96	0.65	0.68	0.47
60	69	68	58	53	54	54	56
5.3%	3.4%	8.0%	29.8%	6.8%	5.4%	6.7%	0.9%
11.9%	12.1%	10.3%	6.9%	4.8%	5.0%	4.8%	10.2%
6.4	6.9	9.2	5.1	5.0	3.5	2.9	5.0
1,107	1,128	1,076	1,040	1,092(b)	823	851	866

(e) Decline reflects new network implementation duplicate costs of $5.1 million in fiscal 1991 and $3.0 million in 1992.
(f) Includes Brown building and warehouse acquisition of $8 million in 1991 and conversion of warehouse to Smith building office and conference center for $15 million in 1996.
(g) Excludes IDI acquisition.
(h) Excludes IDI, acquired in fiscal 1993, which was not part of the obligated group. Also excludes Preservation Resources (formerly MAPS) acquired in 1991, until its merger into OCLC in 1994, when it became part of the obligated group.

Ten-Year Revenue Comparison



1989/90 $96.2 Million



1998/99 $146.1 Million

Consolidated Financial Statements

for the years ended June 30, 1999 and 1998 and Independent Auditors' Report

Deloitte & Touche LLP
155 East Broad Street
Columbus, Ohio 43215-3611

Telephone: (614) 221-1000
Facsimile: (614) 229-4647

Independent Auditors' Report

To the Board of Trustees of
OCLC Online Computer Library Center, Incorporated:

We have audited the accompanying consolidated balance sheets of OCLC Online Computer Library Center, Incorporated and its subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of revenues, expenses and corporate equity and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Corporation and its subsidiaries at June 30, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

August 20, 1999

Deloitte Touche
Tohmatsu

Consolidated Balance Sheets

June 30, 1999 and 1998

Assets	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,660,700	$ 10,783,800
Short-term investments	7,875,600	
Government securities	17,894,600	20,550,000
Corporate notes and bonds	12,365,900	9,918,500
Equity securities	52,734,700	48,118,900
Receivables—net	22,494,900	20,057,800
Prepaid expenses and other	4,391,600	4,307,400
Total current assets	128,418,000	113,736,400
FIXED ASSETS—At cost, less accumulated depreciation and amortization	77,001,400	76,519,900
OTHER ASSETS:		
Bond trust accounts	20,347,900	1,800
Other	4,045,800	1,957,600
Total other assets	24,393,700	1,959,400
TOTAL	$229,813,100	$192,215,700

Liabilities and Corporate Equity	1999	1998
CURRENT LIABILITIES:		
Current portion of long-term debt and capital leases	$ 3,544,800	$ 3,452,100
Accounts payable	3,275,800	4,943,400
Accrued liabilities	10,449,000	8,785,200
Advance subscription payments	6,604,200	5,227,800
Unearned revenue	17,127,100	16,004,400
Total current liabilities	41,000,900	38,412,900
LONG-TERM DEBT AND CAPITAL LEASES—Less current portion	56,800,100	31,848,300
OTHER NONCURRENT LIABILITIES	9,694,400	7,493,400
CORPORATE EQUITY	122,317,700	114,461,100
TOTAL	$229,813,100	$192,215,700

See notes to consolidated financial statements.

Consolidated Statements of Revenues, Expenses and Corporate Equity

for the years ended June 30, 1999 and 1998

	1999	1998
REVENUES	$146,128,800	$136,217,100
MEMBER PARTICIPATION CREDITS	(5,640,800)	(5,278,000)
NET REVENUES	140,488,000	130,939,100
OPERATING EXPENSES:		
Salaries, wages and related fringe benefits	62,560,700	55,463,300
Telecommunications and computer support	34,301,800	37,357,100
Selling, general and administrative	23,946,800	20,285,500
Depreciation and amortization	13,110,000	13,643,400
Building and utilities	4,140,100	3,619,100
Total operating expenses	138,059,400	128,368,400
EXCESS OF NET REVENUES OVER OPERATING EXPENSES	2,428,600	2,570,700
OTHER INCOME (EXPENSE):		
Investment income	7,414,100	9,564,600
Interest expense	(2,757,100)	(2,367,000)
Miscellaneous—net	222,800	(362,000)
Total other income	4,879,800	6,835,600
EXCESS OF REVENUES OVER EXPENSES	7,308,400	9,406,300
NET UNREALIZED GAINS ON INVESTMENTS	555,300	3,277,500
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(7,100)	326,900
CHANGE IN NET EQUITY	7,856,600	13,010,700
CORPORATE EQUITY—Beginning of year	114,461,100	101,450,400
CORPORATE EQUITY—End of year	$122,317,700	$114,461,100

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

for the years ended June 30, 1999 and 1998

	1999	1998
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 7,408,400	$ 9,600,300
Adjustments for non-cash items:		
Depreciation and amortization	13,110,000	15,645,600
Realized gain on sale of investments	(3,756,300)	(6,119,500)
Loss (gain) on sale of fixed assets	93,600	(97,000)
Loss on sale of IDI and subsidiaries		526,500
Changes in assets and liabilities:		
Decrease (increase) in receivables	(2,437,100)	551,800
Decrease (increase) in other current assets	(380,400)	549,500
Increase (decrease) in accounts payable	(691,200)	566,800
Increase in accrued liabilities and other	5,357,800	252,400
Cash provided by operating activities	18,604,800	19,110,600
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Payments on revenue bonds and other long-term debt	(10,074,500)	(5,455,900)
Proceeds from revenue bonds issued	32,515,000	
Bond issuance and bond discount costs	(1,055,800)	
Decrease (increase) in bond trust accounts—net	(20,346,100)	1,100
Cash provided by (used in) financing activities	1,038,800	(5,452,800)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of investments	(70,598,300)	(104,665,800)
Proceeds from sale of investments	62,509,900	96,627,400
Purchases of fixed assets	(11,224,800)	(9,228,900)
Proceeds from sale of IDI and subsidiaries—net (excluding cash given of $1,825,000)		5,175,000
Other—net	(453,500)	(284,400)
Cash used in investing activities	(19,766,700)	(14,176,600)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,100)	1,501,200
CASH AND CASH EQUIVALENTS, Beginning of year	10,783,800	9,282,600
CASH AND CASH EQUIVALENTS, End of year	$10,660,700	$ 10,783,800
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 2,688,200	$ 2,907,900
Fixed asset additions financed by accounts payable	$ 374,900	$ 1,551,600
Unrealized gains on investments	$ 555,300	$ 4,277,500
Property acquired by capital lease	$ 2,900,000	$ 2,900,500
Sale of IDI and subsidiaries:		
Assets disposed		$ 12,995,600
Liabilities transferred		(7,667,500)
Loss on sale		(526,500)
Cash received		$ 5,000,000

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

for the years ended June 30, 1999 and 1998

1. Summary of Significant Accounting Policies and Procedures

OCLC Online Computer Library Center, Incorporated ("OCLC") is a nonprofit corporation organized to establish, maintain, and operate an international computerized network of bibliographic cataloging services for libraries and to promote the evolution of library use. The accumulated excess of revenues over expenses (corporate equity) cannot be distributed to the members. OCLC's corporate equity is unrestricted. In the event of dissolution, the Board of Trustees is to adopt a plan for distribution of remaining assets that is consistent with the purpose of OCLC. OCLC generally provides services to its members on a contract basis. The significant accounting policies of OCLC and its subsidiaries are set forth below:

Principles of Consolidation—The consolidated financial statements include the accounts of OCLC and its wholly owned for-profit subsidiaries, OCLC Educational Services, Inc. ("OESI"), and OID, Inc. (formerly Information Dimensions, Inc., ["IDI"]) and subsidiaries ("OID"). During fiscal 1998, OCLC sold a portion of its software business to Gores Technology Group and affiliates ("Gores"). See Note 8. Operating expenses of OCLC's wholly owned for-profit subsidiaries totalled $155,200 and $718,900 for the years ended June 30, 1999 and 1998, respectively. Intercompany transactions have been eliminated in consolidation.

Cash and Cash Equivalents—All highly liquid debt investments with an original maturity of three months or less at the time of purchase are considered cash equivalents, and are stated at cost, which approximates market. Cash is primarily held in one bank.

Investments—Short-term investments consist of bankers' acceptances, commercial paper and short-term government notes, and are stated at cost, which approximates market. Government securities, corporate notes and bonds and equity securities are stated at their fair value. Fair values are based on market quotes.

Revenue Recognition—Member service revenues are recognized at the time services are provided, and include member system service revenues, terminal and telecommunication revenues, and miscellaneous member service revenues. Software license and consulting revenues are recognized at the time software is shipped and services are provided, or according to contract terms in the case of customized installations and system maintenance billings.

Use of Estimates—The preparation of these financial statements in conformity with generally accepted accounting principles requires in certain instances the use of estimates. Actual results could differ from these estimates.

Depreciation and Amortization—Depreciation is provided using straight-line and accelerated methods at rates based on the estimated useful lives of the equipment and improvements (3 to 20 years) and buildings (30 to 40 years). Costs incurred in connection with the issuance of Franklin County Revenue Bonds are amortized using the effective interest method over the terms of the respective bonds.

Software—The cost of purchased software is capitalized and amortized using the straight-line method over the estimated economic useful lives (3 to 15 years). OCLC capitalizes the costs associated with purchased databases and enhancements which are amortized using the straight-line method (3 to 15 years). At each balance sheet date, management compares the carrying value of capitalized software to the net realizable value of the software, and the carrying value in excess of future discounted cash flows is expensed currently.

Research and Development—Research and development costs (principally salaries and related fringe benefits), approximating $12,526,900 and $10,643,800 for fiscal 1999 and 1998 are charged to operations as incurred.

Income and Other Taxes—OCLC is tax exempt under the appropriate sections of the Internal Revenue Code and various sections of state and local tax statutes and, accordingly, no provision for federal, state, or local income taxes is currently required for its operations. OID and OESI are for-profit entities and are not exempt from federal, state or local income taxes.

The asset and liability method is used for financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which differences are expected to affect taxable income. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Foreign Currency Translation—Branch offices and foreign subsidiaries are based in Canada and the United Kingdom. The local currency has been designated as the functional currency for such operations. Income and expense items are translated at the average monthly rate of exchange. Assets and liabilities are translated at the rate of exchange on the balance sheet date with the resultant translation gains or losses included as a separate component of corporate equity. Corporate equity includes net cumulative translation losses of $202,500 and $195,400 at June 30, 1999 and 1998, respectively.

Reclassifications—Certain prior year amounts have been reclassified to conform with the current year's presentation.

2. Investments

In accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations," debt and equity investments are carried at their fair value with related unrealized gains and losses on the portfolio reflected in the change in net equity. Realized gains and losses are included in investment income.

OCLC invests available cash in major banks, federal, state, and local government obligations and investment grade debt and equity securities. Market risk is reduced by investing funds in maturities that match anticipated short and long-term cash needs and by investing in diversified industries and markets, both domestic and international. All investments are held in safekeeping by a trustee.

Realized gains and losses related to investments are recorded using the specific identification method. Unrealized gains on the portfolio totaled $11,999,100 and $11,443,800 at June 30, 1999 and 1998, respectively. The following schedule details investment returns for the years ended June 30:

	1999	1998
Dividends and interest income	$ 3,657,900	$ 3,445,300
Net realized gains	3,756,200	6,119,300
Investment income	7,414,100	9,564,600
Net unrealized gains on investments	555,300	3,277,500
Total investment return	$ 7,969,400	$ 12,842,100

3. Fixed Assets

Fixed assets include the following:

	June 30	
	1999	1998
Land and improvements	$ 10,044,900	$ 10,079,200
Buildings and improvements	48,217,400	47,806,400
Computer and telecommunications equipment	42,815,900	43,933,900
Intangibles including software, databases and goodwill	36,034,800	33,043,000
Office furniture and equipment	17,350,400	16,674,400
Total	154,463,400	151,536,900
Less accumulated depreciation and amortization	77,462,000	75,017,000
Fixed assets—net	$ 77,001,400	$ 76,519,900

Operating Leases—Certain buildings and equipment are rented under operating leases. Rental expense for all leases was $496,100 and $332,100 for fiscal years 1999 and 1998. Future minimum lease payments under existing non-cancelable lease commitments are as follows:

fiscal year ended June 30:	
2000	$ 678,800
2001	378,400
2002	202,100
2003	168,900
2004	162,900
Thereafter	855,200
Total	$ 2,446,300

Capitalized Leases—OCLC leases computer equipment with an option to purchase the equipment at a nominal cost at the termination of the lease. Cost and accumulated depreciation of the leased equipment included in fixed assets are as follows:

	1999	1998
Computer equipment	$ 6,378,000	$ 3,478,000
Less accumulated depreciation	1,930,700	1,172,100
Capitalized leased assets—net	$ 4,447,300	$ 2,305,900

Future minimum lease payments for assets under capital leases at June 30, 1999 are as follows:

fiscal year ended June 30:	
2000	$ 1,554,300
2001	1,102,200
2002	918,500
Total minimum lease payments	3,575,000
Less amount representing interest	145,100
Present value of net minimum lease payments	3,429,900
Less current maturities	1,464,800
Long-term obligation	$ 1,965,100

4. Long-Term Debt

In December 1998, OCLC issued $32,515,000 of Franklin County Revenue Bonds ("1998 bonds"). The proceeds were used to advance refund and defease a portion of the 1991 Franklin County Revenue Bonds ("1991 bonds"), and to improve real property, acquire office systems, computers and other equipment, and bibliographic and other databases. The total 1991 bonds refunded were $6,675,000. At June 30, 1999, undisbursed proceeds of the 1998 bonds and accumulated interest income of $20,345,900 are included in bond trust accounts on the accompanying balance sheet.

and will be released by the trustee as qualifying purchases are made.

Revenue Bonds—Revenue bonds outstanding are as follows:

	June 30	
	1999	1998
Serial bonds:		
1991 bonds, 6.60% to 6.80%, maturing annually through July 15, 2001	$ 3,045,000	$ 3,940,000
1993 bonds, 5.50% to 5.90%, maturing annually through April 15, 2004	5,750,000	6,725,000
1998 bonds, 3.50% to 4.70%, maturing annually October 1, 1999 to October 1, 2012	20,540,000	
Total serial bonds	29,335,000	10,665,000
Term bonds:		
1991 bonds		6,675,000
1993 bonds, 6.00%, maturing April 15, 2009 and April 15, 2013	15,605,000	15,605,000
1998 bonds, 5.00% and 5.20%, maturing October 1, 2016 and October 1, 2020	11,975,000	
Total term bonds	27,580,000	22,280,000
Total revenue bonds outstanding	$ 56,915,000	$ 32,945,000

Bond fund deposits for the 1991 serial bonds,sufficient to cover the next principal payment are made to the trustee annually. Interest on the 1991 bonds is payable semi-annually to the trustee.

Bond fund deposits for the 1993 serial bonds sufficient to cover the next principal payment are made annually to the trustee. Annual sinking fund deposits for redemption of the principal balance of the 1993 term bonds commence on April 15, 2005, in amounts ranging from $1,360,000 in 2005 to $2,165,000 in 2013. The 1993 term bonds are callable at par beginning in fiscal 2003. Interest on the 1993 bonds is payable semi-annually to the trustee.

Bond fund deposits for the 1998 serial bonds sufficient to cover the next principal payment will be made annually (beginning in October 1999) to the trustee. Annual sinking fund deposits for redemption of the principal balance of the 1998 term bonds commence October 1, 2013, in amounts ranging from $1,375,000 in 2013 to $1,575,000 in 2020. Interest on the 1998 bonds is payable semi-annually to the trustee. The 1998 bonds are callable at 101% of par if redeemed between October 2008 and September 2009, and at par beginning October 2009.

All bond issues are unsecured. The indenture agreement restricts, among other things, the issuance of additional debt and the granting of security interests.

The aggregate maturities of the revenue bonds are as follows:

fiscal year ended June 30:	
2000	$ 2,080,000
2001	2,230,000
2002	3,180,000
2003	3,400,000
2004	3,580,000
2005 and later	42,445,000
Total	$ 56,915,000

5. Bank Line of Credit

Unsecured revolving lines of credit with a bank provide for total borrowings of $6,000,000 during fiscal years 1999 and 1998. Under the terms of the agreements, interest on amounts borrowed is payable at the bank's prime rate of interest. During fiscal 1999 and 1998 no borrowings were made under such lines of credit.

6. Employee Benefit Plans

A noncontributory, defined contribution pension plan covers all domestic OCLC employees who have completed two years of service, and a voluntary contributory, defined contribution employee savings plan covers all full-time domestic OCLC employees who have completed ninety days of service. The cost of these plans (included in salaries, wages and related fringe benefits) was $3,203,100 and $2,881,300 for fiscal 1999 and 1998, respectively.

In 1998, OCLC established a non-qualified voluntary contributory savings plan for key employees and Board of Trustee members. OCLC purchases and holds (reflected in Other Assets) investment assets, recorded at fair value, equal to the participants' voluntary contributions. The liability under the plan was $1,830,000 and $707,300 (reflected in Other Noncurrent Liabilities) at June 30, 1999 and 1998 respectively.

OCLC maintains a voluntary contributory plan providing postretirement health care and noncontributory postretirement life insurance coverage. OCLC employees meeting certain age and service requirements at the time of their retirement are eligible to participate. OCLC recognizes the cost of postretirement medical and life benefits as the employees render service. These benefits are funded by OCLC when incurred. As of June 30, 1999

and 1998, relevant postretirement benefit information is summarized as follows:

	1999	1998
Accumulated postretirement benefit obligation:		
Retired participants	$ 1,306,000	$ 1,214,000
Fully eligible active plan participants	698,000	649,000
Other active plan participants	4,786,000	4,448,000
Postretirement benefit obligation	6,790,000	6,311,000
Unrecognized net loss from actuarial experience different than that assumed and changes in assumptions	(301,000)	(1,094,000)
Accrued postretirement benefit obligation (reflected in Other Noncurrent Liabilities)	$ 6,489,000	$ 5,217,000
Net postretirement benefit cost:		
Service cost	$ 808,000	$ 512,000
Interest cost	454,000	340,000
Net amortization	38,000	2,000
Total	$ 1,300,000	$ 854,000
Contributions and benefits paid under the plan:		
OCLC contribution	$ 28,400	$ 23,500
Participant contributions	30,100	33,300
Total benefits paid	$ 58,500	$ 56,800

Actuarial assumptions used in determining these amounts included a weighted average discount rate of 7% and 6.5% at June 30, 1999 and 1998, an annual increase in medical expense of 8.9% and 9.4%, respectively, declining to 6% in 2018 and thereafter, and a 6.5% annual increase in dental expense declining to 4% in 2019.

Agreements with certain former officers provide for certain benefit payments which commenced upon retirement. At June 30, 1999 and 1998, OCLC has a liability accrued of $1,558,900 and $1,485,100, respectively, for the present value of the estimated future payments under these agreements.

7. WLN Merger

Effective January 1, 1999, OCLC entered into an Agreement and Plan of Merger with WLN (a nonprofit organization providing online cataloging and resource sharing services to libraries in the Pacific Northwest) with OCLC as the surviving corporation. The merger was accounted for by the purchase method with the fair value of the WLN net assets acquired approximating the liabilities assumed of $2,066,400. Under the agreement, OCLC preserved the offices of WLN as a regional service center in Lacey, Washington. The effect of this transaction is not significant in relation to OCLC's consolidated financial statements taken as a whole. WLN's operations subsequent to the date of merger are included in the consolidated financial statements for the year ended June 30, 1999, and its revenues for the six months ended June 30, 1999, were $2,467,000. The pro-forma consolidated results for fiscal year 1999, assuming the merger had been made at the beginning of the fiscal year, would not be materially different from reported results.

8. Sale of IDI

Effective July 1, 1997, OCLC sold a portion of its software business to Gores. Gores purchased substantially all operating assets of IDI and assumed approximately $7,700,000 of IDI operating liabilities in exchange for $5,000,000 in cash and notes receivable and a contingent royalty. The contingent royalty is convertible into an equity interest under specified circumstances. The contingent royalty will be recognized as payments are received. A loss was recognized in fiscal 1998 of $326,300 which excludes any additional contingent royalty payments. Gores leased office space and furniture from OCLC at an aggregate rental of $760,600 during fiscal 1998.

In June 1998, Gores sold the IDI business to Open Text, Inc., and all notes receivable due from Gores were paid in full. In fiscal 1999 and 1998, $250,000 and $80,000 respectively of contingent royalty payments were received. Additional proceeds under the terms of the contingent royalty may be received after Gores and Open Text, Inc. have completed the transaction.

The Gores transaction does not include any assets associated with the 1994 sale of the ZyLAB Division (a discontinued operation of IDI). The original terms of the sale required a minimum payment of $2,250,000 and a maximum payment of $3,250,000 to be paid over five years. In fiscal 1996, IDI signed an agreement in which ZyLAB paid IDI $500,000 to reduce the note receivable and converted $1,000,000 of the purchase price into a 20% ownership of ZyLAB common stock. Such stock investment and receivables will be retained by OCLC and are carried at no value.

Notes to Consolidated Financial Statements

(continued)

9. Income Taxes

OCLC has a net deferred tax asset of $14,600,000 for operating loss carryforwards ($13,000,000 domestic and $1,600,000 foreign). The net deferred tax asset is fully offset by a valuation allowance due to the uncertainty of recoverability of these items.

At June 30, 1999, domestic and foreign net operating loss carryforwards for income tax reporting purposes are approximately $42,700,000 ($38,100,000 domestic and $4,600,000 foreign, principally the United Kingdom). Such carryforwards expire beginning in fiscal year 2000.

10. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 "Disclosures About Fair Value of Financial Instruments," requires fair value disclosures about substantially all balance sheet financial instruments. Certain assets and liabilities, the most significant being Fixed Assets, do not meet the Statement's definition of financial instruments and are excluded from this disclosure. Similarly, Corporate Equity is not considered a financial instrument and is also excluded from this disclosure. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by management. These estimations necessarily involve the use of judgment about a variety of factors, including but not limited to, materiality, relevancy of market prices of comparable instruments and appropriate discount rates. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following table summarizes financial instruments at fair value that differ from carrying amounts as of June 30, 1999 and 1998 but it is not intended to, and does not, represent the Corporation's underlying value nor is it indicative of the amounts that could be realized in a current market exchange of these instruments:

	1999	
	Carrying Amount	**Estimated Fair Value**
Assets:		
Bond trust accounts	$ 20,347,900	$20,460,400
Liabilities:		
Long-term debt	$ 56,915,000	$56,135,100

	1998	
	Carrying Amount	Estimated Fair Value
Assets:		
Bond trust accounts	$ 1,800	$ 1,800
Liabilities:		
Long-term debt	$ 32,945,000	$ 34,360,200

The following methods and assumptions were used to estimate the fair value of each material class of financial instruments:

Cash and Cash Equivalents, Investments, Receivables, Accrued and Other Liabilities (excluding postretirement benefit obligations and deferred compensation) and Accounts Payable—The carrying amounts of these items are a reasonable estimate of their fair value.

Bond Trust Accounts—Fair values are based on market quotes.

Long-Term Debt—Fair values for these instruments have been calculated with pricing models using current rate assumptions for securities with similar yields and maturities.

11. Contingencies

The Corporation is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's consolidated financial statements.

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